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ACCOUNTANCY



THE JOURNAL
OF
INCORPORATED ACCOUNTANTS

(Established 1889)

JUNE, 1939



INCORPORATED ACCOUNTANTS' HALL,
VICTORIA EMBANKMENT, LONDON, W.C.2.

The Society of Incorporated Accountants and Auditors (A.D. 1885).

EXAMINATIONS.

FINAL EXAMINATION will be held on October 31st, November 1st & 2nd, 1939, in the following subjects :—Advanced Accounting, including Accounts of Partners and Executors and Income Tax ; Auditing and the General Duties of Professional Accountants including Income Tax ; Costing Accounts ; Statistical Methods ; General Knowledge in regard to Commerce and Finance ; the Law relating to Joint Stock Companies and Bankruptcy ; Mercantile Law, including Partnership Law ; the Powers and Duties of Liquidators, Trustees, Executors and Receivers ; and Economics.

INTERMEDIATE EXAMINATION will be held on November 1st and 2nd, 1939, in the following subjects :—Book-keeping and Accounts, including Income Tax ; Book-keeping and Accounts, including Partnership and Executorship Accounts ; General Commercial Knowledge ; Cost Accounts ; Commercial Law ; the Powers and Duties of Liquidators, Trustees, Executors and Receivers.

PRELIMINARY EXAMINATION will be held on October 30th and 31st, 1939, in the following subjects :—**ENGLISH**, comprising : (a) One Paper on General Knowledge, including the main outlines of Modern English History from Norman Period to the present time, and General Geography ; (b) An Essay ; (c) General Questions testing knowledge and command of English and English Literature. **ONE FOREIGN LANGUAGE**, comprising : French, German, Spanish, or Latin (to be selected by the Candidate). **MATHEMATICS** comprising Arithmetic, Algebra, and Geometry. (Candidates wishing to be examined in Spanish must give six weeks' notice to the Secretary.)

Candidates may be exempted from the Preliminary Examination on production of Certificates of having passed the Examinations of certain approved bodies, a list of which can be had on application.

The Examinations will be held at

**LONDON, MANCHESTER, CARDIFF, LEEDS, GLASGOW, DUBLIN,
BELFAST, CAPE TOWN, JOHANNESBURG and DURBAN.**

Forms of application and all further information may be obtained of the Secretary.

The last date for receiving applications is September 28th, 1939.

Incorporated Accountants' Hall,
Victoria Embankment, London, W.C.2.

A. A. GARRETT,
Secretary

NOTE :—Complete sets of past Examination Papers may be obtained of the Secretary, price 1s. per set.







A handwritten signature in dark ink, reading "Percy Toothill". The signature is stylized with a long, horizontal flourish extending from the bottom of the name.

MR. PERCY TOOTHILL, F.S.A.A.
President of the Society of Incorporated Accountants

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ACCOUNTANCY

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Deputy Secretary: LEO T. LITTLE, B.Sc.

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PROFESSIONAL NOTES

New President of the Society

Mr. Percy Toothill, F.S.A.A., of Sheffield, was elected President of the Society of Incorporated Accountants last month in succession to Mr. Walter Holman, F.S.A.A. Mr. Toothill, who is senior partner in Henry Toothill & Son, of 9-11, Figtree Lane, Sheffield, passed the Final Examination of the Society in 1899, was admitted an Associate in 1900, and was elected to Fellowship in 1919. He became a member of the Council of the Society in 1924, while he was still Secretary of the Sheffield and District Society of Incorporated Accountants. That post he held for a quarter of a century, until 1928, when he was elected President of the District Society. He was re-elected to the local Presidency in the two following years. Mr. Toothill is a member of the Council of the Sheffield Chamber of Commerce. We extend our congratulations to a most popular member of the Society on his election to its highest office. Our congratulations also to Mr. Richard A. Witty, F.S.A.A., London, who was elected Vice-President. He has known the Society—and has been with it and part of it—since its earliest years. Mr. Witty is senior partner in the

firm of Button, Stevens & Witty, of 7, Union Court, London, E.C.2.

Ministry of Supply

Never before in peace time have such plenary powers of interference with business been given to a Minister as those which the Ministry of Supply Bill seeks to bestow on Mr. Leslie Burgin. During a period of three years the Minister of Supply will be authorised by the Bill to take practically all steps he thinks fit to secure the supply of necessary material for the requirements of defence. This sweeping authority is, indeed, limited in actual practice by the fact that the Ministry will only act for other Departments if they transfer their own supply powers to it and it appears that, at least for the time being, only the War Office will so transfer its powers. Nor is it yet clear how far the Minister will need to use the authority given to him under the Bill. Nevertheless, despite these qualifications, this piece of legislation presents a most striking commentary on the degree of interference with private business which national defence has brought forth. The Bill will

enable the Minister to secure priority for the execution of Government contracts over all others, subject to the control of a Ministerial Priority Committee.

He may require that contractors and sub-contractors who are concerned with any commodity deemed necessary for defence shall undertake Government contracts. If this power is insufficient, he may requisition the output of the contractor or sub-contractor. He may also issue instructions that where plant is capable of being adapted for Government work, though not at present used for that purpose, it shall be so adapted. If agreement cannot be reached between the parties, prices under Government contracts will be determined by an arbitrator or arbitrators selected by the Minister from a panel appointed by him. The cost of adapting plant will be reimbursed by the Minister and its amount will be similarly determined by an arbitration if contractor and Minister cannot agree. If a manufacturer refuses to accept a contract to supply goods to the Minister, or refuses to adapt his plant when instructed to do so, then the Minister will be empowered to appoint a controller to take over and manage the whole or any part of the business in question. A provision in the Bill exempts contractors and sub-contractors from the consequences of their inability to fulfil private contracts when compelled to give priority to Government work. Similarly, if the memorandum and articles of association of a company are contravened as a result of the Minister's requirements, the company is protected under the Bill.

The Minister will be empowered to direct that the books and records of any business concerned with essential goods required for the public service shall be produced for inspection. If he is satisfied that the accounts and records do not enable a "fair and reasonable price" to be determined, the business in question may be required to adopt a form of accounts specified by the Minister. Here, again, if the accounts are not kept in the manner prescribed, the Minister has power to intervene and carry on the business in place of the person owning it.

Extensive powers are given to the Minister for building up reserves. He may require available storage space to be placed at his disposal in just the same way as he may obtain priority for manufactured goods. If necessary, he can requisition such space. It is provided that a fair and reasonable price will be paid for storage space demanded by the Minister and if such a price cannot be agreed, its determination will be in the hands of an arbitrator or arbitrators in a way similar to that outlined above in the case of contractors and sub-contractors. The Minister will also have authority to finance the accumulation of reserves by traders and he will have power to require them to produce returns of stocks they hold and

facilities they possess for the production and storage of goods.

Another part of the Bill enables the Minister to require Government contractors and sub-contractors to effect specified protection for essential plant against war risks. As the work of protecting plant is of a capital nature it will not be allowable as a deductible expense for the purpose of income tax but, like the rather similar expenses entailed under the Civil Defence Bill, it will attract a grant equivalent to the standard rate of income tax on the capital sum expended. In addition to this grant it is the Government's intention to pay, as a contribution towards the remaining cost, such a part as is represented by the proportion which Government work in hand by the particular contractor or sub-contractor bears to the total work in hand by him.

Recital of these powers is sufficient to show their far-reaching nature. It is only to be hoped that the inroads of Government on private initiative will be exercised with as much discrimination as possible.

If Peace Breaks Out

As Government spokesmen have admitted, our economy is now on a near-war basis. The bulk of new capital investment is devoted to rearmament. Government orders flow thick and fast, and in many industries there will very soon be shortages of skilled labour. The structure of industry has been so distorted to serve the arts of war that a reversion to really settled conditions in European politics would produce the gravest economic problems. Indeed, if peace broke out, we should be faced with difficulties in the economic sphere—nowadays peace and war are both mainly affairs of economics—hardly less formidable than those which now confront us. Mr. Walter Holman gave eloquent testimony to this thesis in his presidential address at the Society's annual general meeting. "I cannot," he said, "share the easy optimism of those who predict immediate prosperity if only confidence were restored and normal international relations resumed. . . . Even if political improvement were soon to bring relief, the reorganisation of national and international trade in order to re-establish it on a proper peace-time basis would be a long and painful process." This is another aspect of the indisputable fact that we cannot both have our guns and eat them. It may be that, in the words of Isaiah, we can beat swords into ploughshares and spears into pruning-hooks, but modern wars are not fought with spears and swords or the modern standard of living maintained on pruning-hooks and ploughshares.

National Service

We announced last month that the Society had been requested by the authorities to nominate members who will speak for the National Service

Campaign at meetings to be arranged by the local National Service Committees. Names of those who are willing to speak are being forwarded to the Ministry of Labour from Incorporated Accountants' Hall and any members who wish to put their names down for possible inclusion in the panel of speakers are asked to communicate with the Secretary.

Following the uncertainty created by the removal of accountancy from the list of occupations reserved in peace time, in which the profession had previously been included, the Ministry of Labour has asked for the following letter to be brought to the attention of members:—

"I am directed to draw your attention to the fact that accountancy is no longer a reserved occupation in peace time. It is, therefore, open to members of all institutions co-operating in the compilation of the Central Register to undertake any form of national service whatsoever, without restriction, and I should like to make it clear that the inclusion of the name of a member in the accountancy section of the Central Register does not prevent a member from undertaking any form of national service.

"Members whose names are already included in the Register are, however, requested to give full particulars to the Secretary of their Society, etc., of any commitments which would be full-time in war and which they may now undertake in respect of service in H.M. Forces or otherwise. These particulars will have to be noted on the cards which they have submitted for the purpose of record."

Private Companies on the Stock Exchange

The decision of the proprietors of the Stock Exchange to alter the Deed of Settlement in order that the word "members" may include private unlimited companies as well as individuals, has necessitated the passing of new rules by the Stock Exchange Committee to meet the altered circumstances. These rules have now been passed by the Committee and only await confirmation at a meeting of members to be held this month. The new rules make it clear that the position of individual members remains unaltered. Their liability continues to be unlimited and for all practical purposes the company is precisely the same as a partnership. The new unlimited companies will become "corporate members" of the Stock Exchange, but only individual members of the Stock Exchange can be interested in such companies. The sole result of such a registration will be relief from the inequitable burden of taxation. It seems a somewhat cumbersome piece of machinery for the achievement of that object and gives point to the contention that there is a relationship between the legal avoidance of tax and the lack of equity in income tax law and administration.

Treatment of Dividends in Accounts

In our March issue we commented upon a simple method we had seen used for effecting a compromise between those who maintain and those who oppose the view that dividends should be shown in a company's balance sheet. The argument between these two camps recalls a feature in our issue of September, 1938, when Mr. de Paula and Mr. Bertram Nelson crossed swords on the point. It now appears that the treaty of peace between the protagonists might have still another set of terms, for the recently published accounts of Morris Motors, Ltd., suggest a further possible compromise. The appropriation section of the profit and loss account contains only one figure in Roman characters—the balance available for appropriation. The recommendations of the Board are then shown in italics throughout. To the balance available, for example, the directors propose to add a sum from the dividend equalisation reserve account, and this latter item is italicised. From the resulting total the recommended dividend is deducted as an italicised figure and the balance carried to the balance sheet is also in italics. These various items are similarly displayed in italics on the liabilities side of the balance sheet. This method, like that commented upon in our March issue, seems to have the advantage of setting out the position of the company as it will be after the recommendations have been confirmed—as they usually are—while indicating that it is not intended to arrogate to the directors powers which are not in fact vested in them.

A Guide to Unit Trusts

In April, 1935, *The Economist* published its first survey of unit trusts (then called fixed trusts). The fifth number of what has now become an annual series was published last month. The survey shows that during the five years investments in unit trusts have increased from £20½ million to £83.8 million. Though, in conformity with conditions in financial markets as a whole, sales of unit trust units have been on a lower level in the past year, activity in the creation of new trusts has proceeded apace, an addition of nineteen new trusts in the twelve months bringing the total to ninety-eight. At the same time, the inclusion of unit trusts in the provisions of the Share-Pushing Act—their belated inclusion may become "a classic example of legislative second thoughts"—has produced an entirely different legal framework in which unit trust managers operate. Not the least important of the changes are those relating to accounts, on which we have commented from time to time in these notes. The survey discusses at length the form of the trust and manager's accounts and the audit requirements. The section covering these questions is only one of many in a supplement which constitutes an invaluable guide to the "small man's trust."

The Finance Bill

The Finance Bill is always eagerly awaited—particularly by the accountant—for the details of projected legislation incidental to the tax changes already announced in the Budget. This year the post-Budget proposals are of considerable importance to the professional accountant and little need now be said on the tax changes themselves, which were noted and commented upon in the last issue of ACCOUNTANCY. It is sufficient to record, without further comment, the highly significant fact that a taxpayer whose statutory total income is over £50,000 will be paying, under the new rates of sur-tax, a total of 14/6 in the £ on the excess or 5/6 standard rate of income tax plus 9/- sur-tax.

Clause 19 of the Bill contains a proposal which will arouse widespread criticism, and which we hope will be drastically amended in its passage through Parliament. The proposal is that employers must state in the return of remuneration paid to employees (a) any payments made after April 5, 1938, to employees in respect of expenses; (b) any payments made after that date on behalf of employees; and (c) any payments made after that date to employees in a trade or business for services rendered in connection with the trade or business, whether the services were rendered in the course of their employment or not. Looked at purely from the "domestic" angle, a professional accountant will not welcome the increased analyses necessary to enable him to show the amount paid in the course of the year to each clerk for travelling expenses in the ordinary course of attending at clients' offices. For the future, petty cash and other records could be suitably ruled with additional analysis columns, but the Clause as it stands would necessitate an analysis for 1938/39.

We confess to a doubt whether the intention can possibly be that expenses reimbursed to employees are to be returned, but that is what the Clause clearly requires. No doubt, the intention is to require the disclosure of "round sums" paid to directors and others, often greatly in excess of the expenses they can possibly incur, so that the recipients will have to prove the amount "wholly, exclusively and necessarily" spent within the meaning of Rule 9 of Schedule E.

If the Clause is enacted as it stands, not only will employers have to keep detailed analyses of expenses paid to each employee, but every employee will have to keep a detailed record of the sums that he expends in the execution of his duties. It need not be emphasised in these columns how difficult such a record is to keep, nor how easily it lends itself to manipulation. Are we approaching the day when it will be necessary to satisfy the Inspector of Taxes that the

expense of a taxi was not warranted as a tram, or even "shanks' pony" was available?

The same Clause goes on to require every person carrying on a trade or a business, if so required by the Inspector of Taxes, to make a return of payments made in the course of the trade or business or in connection with its formation, acquisition, development or disposal, to any individual who is not an employee of the individual making the return, being a payment in the nature of a commission for services rendered. The names and addresses of the recipients are to be shown, as well as the amounts, but where the total paid to any one person in the year covered by the return does not exceed £15, it is not to be included. Here we see that the Revenue authorities want to have statutory powers to enforce answers to queries which are all too familiar. Whilst none will dispute that secret commissions should be taxed, our readers will recognise that in many trades their disclosure may affect orders and contracts. It is with a sigh of relief that we read the saving proviso as to the minimum amount; it would be hardly practicable to keep a note of tips to carmen and hall-porters!

Another provision of general interest is in connection with the National Defence Contribution, already briefly noted in the Professional Notes in the May issue of ACCOUNTANCY. It is contained in Clause 27, and provides that those concerns which have to include investment income in their profits for the purposes of N.D.C. shall not be able to carry forward from pre-N.D.C. periods an "adjusted loss" which leaves the investment income of those years out of the credit of the accounts. The clause is made retrospective to the commencement of N.D.C. It is thought that none will dispute the equity of this clause. The obvious example is a life assurance company, the investment income of which exceeds the profit on the business. The excess would be an "adjusted loss." For example, if the profits for a pre-N.D.C. year were £50,000, including investment income of £60,000, there would be an "adjusted loss" of £10,000. This, however, is not a true trading loss, and it would not be equitable to allow it to be carried forward for N.D.C. purposes. The Clause puts the matter right by providing that investment income is to be kept in credit in pre-N.D.C. periods as it is in N.D.C. periods, that is in effect, that only a pre-N.D.C. trading loss can be carried forward in such circumstances. For example, if there was a loss of £5,000 after including income from investments of £45,000, the loss of £5,000 only, and not the adjusted loss of £50,000 could be carried forward. (Readers will recognise the similarity between this and the loss for the purpose of Section 34, Income Tax Act, 1918,

in the case of life assurance companies). The clause does not touch the losses of N.D.C. periods, as investment income had to be included under the existing law. In the above remarks, the term "investment income" must, of course, be read as including income from other property.

The increase of one-tenth in each rate of estate duty in respect of estates exceeding £50,000, where the death occurs after April 25, 1939, was noted in

our last issue. This increase will not affect agricultural value, and there is a saving provision in respect of interests in expectancy bona fide sold or mortgaged before April 26, 1939.

The remaining Clauses of the Finance Bill deal with the specialised question of avoidance of taxation by legal devices. This matter is of such importance to the accountant that we devote a special article to it later in this issue of ACCOUNTANCY.

The Accountant as Trade Association Secretary

By H. BASIL SHEASBY, *Chartered and Incorporated Accountant*

Trade associations in increasing numbers are employing professional accountants as secretaries. There are many reasons for their doing so. Whereas it was usual many years ago to have a member of the particular trade appointed as secretary, this was not found in most cases to be the best course. Instead, a professional accountant, with his training not only in accountancy but also in commercial law and as a negotiator, has been found to be most satisfactory from the association's point of view.

It will be appreciated that there are considerable advantages in having a person outside the trade concerned conducting negotiations. He does not suffer from trade bias, and is therefore in a position to appreciate the other person's point of view. He sees more readily what concessions must be made and when it is unwise to continue to press a point. He has to establish a fine balance between the mailed fist and the velvet glove, and one of his most difficult tasks is often to persuade his committee that negotiation is preferable to militancy.

Trade associations may be registered either as limited companies, which are usually limited by guarantee, or as trade unions. In addition, there are many trade associations which are unregistered trade unions. It is as well to point out that by trade associations one does not mean debt collection agencies, but associations of employers who join together to form an association for their mutual benefit and the protection of their interests.

The duties of the secretary fall into many categories, and his work, other than the routine tasks, often changes from month to month. He has to attend all meetings of the association and its various committees and keep records of the discussions and decisions that take place there, and his advice is often sought and usually accepted when a particularly knotty problem arises. Arising out of such meetings there are the preparation of the minutes, correspondence and personal interviews with the manufacturers, etc., on the question of terms, ratios of profits, price-maintenance and the like.

An increasing section of an association secretary's work is in connection with legislation and orders

arising therefrom. He must watch all Bills that are introduced into the Houses of Parliament to see whether they affect his members, and where they contain sections that are contrary to the interests of members he has to use every influence at his command to arrange for amendments to the offending clauses to be proposed and pressed. This often entails attending at the Houses of Parliament, joint consultations with other affected associations, and quite an amount of "lobbying." Similarly, regulations arising under existing Acts, particularly in connection with road transport, have to be reviewed and, where necessary, opposed.

In certain cases public or private inquiries are held affecting the members of his association and the secretary may be called upon to give evidence; in fact, it is usually the secretary who has to prepare the case that is presented either by himself or by counsel on behalf of his association. Facts and figures have to be readily at hand to counter the arguments put forward by the other side, and this often entails much frenzied work between sittings.

Another similar aspect of the secretary's work involves his acting as the association's representative on Government and Board of Trade committees for the investigation of certain problems. Such committees are the Ministry of Labour Joint Committee on Wages, Hours and Conditions in the Retail Distributive Trades or the Board of Trade Advisory Committees on various foodstuffs in connection with Food Distribution Plans in time of war. In this connection the qualified accountant's training is invaluable.

In order to prepare evidence to be presented it is usually necessary to obtain statistics, and questionnaires have to be sent out to members and the results of these tabulated and analysed. An example of this was in connection with the Joint Committee dealing with wages, hours and conditions in the retail distributive trades, where the writer sent out over five thousand questionnaires regarding existing wages, hours and conditions in one particular trade, and the replies to these had not only to be analysed according to the answers to the questions, but had to be re-

analysed after being subdivided into areas according to population and other factors.

The professional accountant is often consulted regarding the ideal method of effecting price-maintenance—particularly in connection with adequate office arrangements for records and filing. To give some idea of the magnitude of such a system, in a certain price-maintenance scheme undertaken the original order for record cards was a million, and the organisation necessary to bring the necessary machinery into operation entailed many weeks of concentrated effort. A large staff has to be kept and controlled in order that such records may be always up to date and readily available.

Prices and profits always form an important part of an association secretary's work, and the Budget of last month has resulted in much work in this respect, for when there is an alteration in the import or excise duty on any commodity dealt with by a trade association the whole of its price lists immediately become obsolete and it is the task of the association secretary, in consultation with his committee, to bring these up to date. Manufacturers and importers at the same time are altering their price lists, and the secretary has constantly to be on the watch to see that any such alteration in duties is not used by the manufacturer to alter profits to the detriment of the association members.

If he is a professional accountant, the association secretary is usually regarded by the members as the "fount of all wisdom," and is consulted on any subject, whether directly or remotely in connection

with the trade concerned. Members often raise legal problems, but, if the secretary is wise, he will give them no more than an indication of his own views, for what they are worth, and will refer them to their solicitors. On the other hand, it is usual for well-known firms of solicitors to be retained by trade associations, and matters of general trade importance are referred to them for the benefit of members in general.

In regard to the finance of such trade organisations, whilst nominally this is the duty of the honorary treasurer, it is in practice mostly the work of the secretary or his staff. The collection of subscriptions is the main item under this heading, and these usually fall due on varying dates, reminders having to be sent for those overdue. The accounts are audited once a year and submitted to the annual meeting for adoption.

There is a final point to mention, and, although seemingly of minor importance, it is not altogether so in practice. This concerns the social activities of trade associations—activities which are very useful in creating the right atmosphere and spirit amongst the members and their associates, and also afford excellent opportunities of publicity propaganda. It is almost universal to hold a banquet once a year, when Cabinet Ministers, Members of Parliament, important manufacturers or other well-known members of the particular trade are invited as the principal guests, and this does much to create and cement friendship and goodwill between the different sections of the trade.

Society of Incorporated Accountants

The President's Address

The following is a full report of the address of Mr. Walter Holman, the President of the Society of Incorporated Accountants, given at the Annual General Meeting on May 18.

The report of the Council reflects a year of exceptional activity arising not only out of the affairs of the Society and the profession but also out of the pressure of external events, but before referring to some of these important happenings I desire to pay a tribute of respect to our late colleague on the Council, Mr. Tom Coombs, of Leeds, who enjoyed wide popularity among our members in the West Riding of Yorkshire and in the public life of that district.

Within the last month we have heard with deep regret of the passing at an early age of Mr. William Robert Fraser, who was Honorary Secretary of the Society's Natal Committee in the Union of South Africa. Mr. Fraser has rendered very efficient and valuable service to the Society in South Africa, and we regret his passing the more because of the personal contacts made during his frequent visits to this country.

The honour conferred on the Society by His Royal

Highness the Duke of Kent, when he attended the Society's Banquet at the Guildhall in March of this year, is not referred to in the report which covers only the year to December 31 last, but it is appropriate that at this the first meeting of members since that memorable event, I should express our respectful gratitude to his Royal Highness for his visit to us and for his speech. So successful an event could hardly fail to impress and please the guests of the Society as well as the members.

Professional Education

Perhaps the most important part of the Society's activities is that which concerns the educational standards required of its members and those who desire to become members, and this has figured prominently in the work of the past year.

Our first official visit to Oxford University for a Refresher Course was made memorable by the welcome extended to us by the Vice-Chancellor and

the presence at our principal function of our distinguished host, the Warden of New College, the Rt. Hon. H. A. L. Fisher, O.M., F.R.S. The course provided members of the Society with valuable opportunities for those personal discussions and contacts which have proved so valuable at earlier courses, and the Council has decided, with the good will of the Colleges, to hold courses at as regular intervals as possible. The Master and Fellows of Gonville and Caius College, Cambridge, have already expressed their willingness for a course to be held there in 1940.

Contacts with the Universities have stimulated the desire that University facilities in connection with the Society's examinations should be available to candidates, and conversations with that end in view have been proceeding throughout the year. The Council is alive to the desirability of improved education and preparation for accountancy, and the fact that no solution has yet been found to the difficult problems involved may be attributed partly to the limitations imposed by the existing system of professional training.

During the year our examination syllabuses have been overhauled and the revised syllabuses will come into operation in May of next year. The purpose of the revision has been to make the tests by which admission to the Society is obtained more comprehensive, in view of the widening demands imposed on professional accountants by modern conditions.

The panel of lecturers formed two years ago has continued to be of assistance to our District Societies in their efforts to provide candidates in their areas with lectures on professional subjects.

The activities of the Research Committee have now extended to the provinces, where many keen members are co-operating in this work, which cannot fail to be of great benefit to themselves as well as to the Society.

I hope it will be considered appropriate if in dealing with aspects of education I refer to the changes made during the past year in the Society's Journal. On the occasion of the change by which the *Incorporated Accountants' Journal* was continued under the title of *ACCOUNTANCY*, the Council expressed to Mr. William Strachan its grateful appreciation of his services in connection with it extending over a period only just short of 50 years. A word of explanation is perhaps called for in regard to the financial aspect of the publication of *ACCOUNTANCY*. The revenue account of the Journal for the year ended December 31, 1938, includes the heavy expenditure of preparatory and experimental work which must always precede so great a change, and the receipts from the increase of circulation have been enjoyed for three months only. The value of *ACCOUNTANCY* to the Society is not to be measured in terms of profit and loss, but it is hoped none the less that the Journal will in a normal year be self-supporting.

This year the Society has accepted an invitation from the Nottingham, Derby and Lincoln District Society to hold a Conference in Nottingham, and I should like to ask members in all parts of the country to give their support to the President and Committee of the Nottingham Society who have made excellent arrangements for the entertainment of visitors in that attractive and accessible city. The programme will be issued in a few days.

Professional Organisation

The introduction into the Legislative Assembly of the Union of South Africa of a Bill for the registration of the profession in South Africa has produced very gratifying evidence of the spirit and vigour of our Branches there. The collaboration between the Council and the Committees of all our Branches has been close and cordial, and it has been rendered more effective by the welcome visits of members from the Union.

Reference to professional organisation reminds me of an unsatisfactory feature of the profession here. Hardly a week passes without complaints being received from members in various parts of the country of the activities of persons and corporate bodies and institutions who solicit professional business by unprofessional means. I can sympathise with members who feel and point out the apparent inconsistency between the Council's insistence on the strict observance by members of the recognised professional code and its inability to restrain those who are not subject to any disciplinary control. I can only say that effective action is possible only if undertaken by the profession as a whole, and the past year, with its problems connected with the International Congress in Germany and with national service, has produced evidence that united action is not an impossibility.

In this connection I would like to refer you to the remarks which, on behalf of the Council, I made at the last annual meeting on the subject of professional etiquette, particularly in relation to changes in the auditors of companies. A few incidents which have occurred during the past year confirm the necessity for the strictest compliance with the principles then discussed.

International Congress on Accounting in Germany

The Council has already communicated its thanks to those who were responsible for the organisation of the International Congress on Accounting, held in Berlin last autumn, for the hospitality extended to the Society's representatives, and I desire to acknowledge the excellence of the organisation and the courtesy extended to us by all with whom we came in contact. The congress was very successful and was greatly enjoyed by all the visitors; but that has not altered the view of the profession in this country, which I entirely share, that the real usefulness of such inter-

national gatherings of accountants will best be served by holding them at intervals of not less than seven years.

Stock Exchange Procedure

During the past year the London Stock Exchange has had under consideration proposals for avoiding ambiguity in dividend announcements and the summarised results of public companies and for the imposition of more stringent conditions on companies before permission to deal is granted. The Committee of the Stock Exchange invited representatives of a number of bodies to confer with them on the methods suggested and the Society was glad to co-operate. It is our hope that the action subsequently taken by the Stock Exchange will assist in achieving the purpose which we share with them, namely, the safeguarding and protection of the investing public.

National Service

Developments in national affairs during the past year have presented accountants as other citizens with new and urgent problems, and the Council of the Society gladly responded to the expressed desire of H.M. Government that a National Register should be prepared of all accountants who would be willing in an emergency to place their services at the disposal of the authorities for such duties as their qualifications and experience fit them particularly to perform. The appeal to the profession to register was made by each President to the members of his own body, it being understood that registration implied an obligation to serve if and when required. The preparation of a National Register indicated the Government's opinion that accountancy is of particular national importance in wartime, and this interpretation was confirmed by the inclusion of accountancy as a reserved occupation under the national service scheme.

My appeal to our members was made in January last and some 3,500 cards have been filled up. These have now been handed to the Ministry of Labour just as the Government has announced that accountancy is now removed from the list of reserved occupations. I feel bound to say that I sympathise with and share the feelings of bewilderment left in the minds of members who have volunteered for the National Register by the lack of continuity in the Government's dealing with this matter. In case there may be a doubt in the minds of members as to the obligation to serve which was implicit when the cards were first issued, I can confirm that the obligation still holds good.

I would not wish it to be thought that I fail to appreciate the problems with which Government departments are faced or that I do not recognise the paramount claims of the more active forms of national service, and I am glad to repeat the appeal which has already been made by letter to members to

volunteer for such national service as their age and circumstances render most appropriate.

All members, including those who have registered, are free to offer themselves for any form of national service, but where such service would necessarily prevent them from accepting accountancy service in an emergency, it is desired that notification may be sent to the Society. The cards will be marked accordingly and it will be for the authorities, if occasion arises, to decide how best the services of members can be utilised.

To meet the position created by the Military Training Bill, the Council has decided that in regard to both articled clerks and special bye-law candidates, the period of full-time service with H.M. Forces, if carried out during the currency of qualifying professional service, will count towards the periods of professional service prescribed by the bye-laws. I am quite sure that this decision will meet with whole-hearted support throughout the Society. While, however, it is desired that those who serve shall be affected as little as possible in their professional studies, it remains our conviction that five years is the minimum period normally required in which to obtain a measure of proficiency in accountancy, and I desire to represent to candidates and to principals that after examinations have been passed, candidates affected should be given an opportunity of receiving a further six months' professional training.

The Military Training Bill provides machinery whereby application may be made for the anticipation or postponement of military training where good cause is shown. With the information at present available the Council do not feel they can offer any general guidance in this matter, except to say that each candidate and his employer must consider whether there is reasonable justification for postponement, having regard to the requirements of national defence and to the position of the candidate's studies.

As regards those who are in the early stage of articles or are about to enter into articles, it may be that, in order to cause as little interruption of studies as possible, some requests for anticipation of military training before 20 years of age may be justified. While I have no authority to say so, requests for anticipation may be less embarrassing to the authorities than requests for postponement.

National Finance

The political conditions which have produced the problems of national service with which I have been dealing are raising new and grave issues of finance in connection with the vast expenditure to which the nation is committed.

The decision as to the manner in which that financial burden is to be borne is a political one and is no longer open for discussion, but accountants have the right to say that, whether the cost is met out of

the proceeds of borrowing or from taxation, it is essential that strict and continuous control should be exercised in all departments and in all directions. The suspicion that control of expenditure is sometimes incomplete and ineffective is strengthened by the recent Report on the Air Services by the Comptroller and Auditor-General. I know that the time factor is often of greater importance than economy, but while this may occasionally explain it can never altogether excuse extravagance and waste, and there is reason to suspect that both have been allowed to occur to an excessive degree.

This is not the only danger inherent in a large-scale programme of non-reproductive expenditure. The risk of inflation is not to be lightly dismissed, since any considerable fall in the purchasing power of sterling would add seriously to the difficulty of borrowing on reasonable terms and tend to increase the real burden of debt on the return to normal conditions, to which we all look forward. Even if inflation can be avoided, continuance of borrowing is bound to create competition between the claims of Government and private borrowing, and I can foresee the possibility of some such encroachment on the freedom of business as has occurred in other countries. It is one of the tragedies of the present situation that the only alternative to larger borrowing is the imposition of increased taxation, and even if this were of specialised and limited application to armament profits, as has been suggested, it would none the less have the effect of restricting the development of ordinary business activities.

You will gather that I cannot share the easy optimism of those who predict immediate universal prosperity if only confidence were restored and normal international relations resumed. The finances of the world have been and are on a war basis, and I believe they do disservice who ignore or disguise the fact

that even if political improvement were soon to bring relief the reorganisation of national and international trade in order to re-establish it on a proper peace-time basis would be a long and painful process.

Finance Bill, 1939

It behoves me to make some reference to the provisions of this year's Finance Bill, but as the Bill itself was only issued this week my comments must of necessity be brief.

Much of the Bill, so far as it relates to income tax and surtax, is concerned with stopping up loopholes which experience has discovered in previous enactments relating to surtax on the profits of "one-man companies." Once again retrospective effect is given to certain of the proposals, and while this is an unfortunate tendency in recent Finance Acts it must be admitted that due warning has been given in public announcements by members of the Government on more than one occasion.

Two important extensions of previous provisions are introduced, the first that persons who receive or collect income from investments on behalf of others will be required to give particulars of the names and addresses of the recipients and of the amounts paid to them, and the second that employers will in future be required to give much more extensive details of the payments made by them on account of expenses and of commissions paid.

While it is generally accepted that in present circumstances an extremely heavy burden of direct taxation must be borne by the whole community, and that elaborate precautions must be taken to ensure that a small minority shall not escape their share of the burden to the detriment of their fellows, none the less the growth of the inquisitorial powers of the Government must be viewed with apprehension lest they be allowed to grow beyond the immediate and limited purposes for which they are designed.

Annual General Meeting

The fifty-fourth Annual General Meeting of the Society of Incorporated Accountants and Auditors was held at Incorporated Accountants' Hall on May 18. The President (**Mr. Walter Holman**), occupied the Chair and was supported by **Mr. Percy Toothill** (Vice-President) and a large number of members.

The notice convening the meeting and the Auditors' Report on the accounts having been read, and the Minutes of the last Annual General Meeting having been taken as read, the President, who was received with applause, proceeded to give his address, which is reported in full on earlier pages in this issue of "ACCOUNTANCY."

At the close of his address the President continued:—
I now beg to move:—

"That the report of the Council and the accounts for the year 1938 be adopted."

I will ask the Vice-President to second the motion.

Mr. Percy Toothill (Vice-President) formally seconded the motion.

Mr. Cedric Walter said that, knowing from past experience the high quality of the speeches of their President, they had come that afternoon in pleasurable expectation of hearing his address and in that they had not been disappointed. He wished, on his own behalf and on behalf of all present, to thank the President for the most interesting, thoughtful and thought-provoking address with which he had favoured them.

The pleasure with which they had listened to it had been a little tinged with sadness at some of the thoughts which had come into their minds on matters which, through the force of political conditions, the President had, rightly and necessarily, brought to their notice. Twenty-one years ago there ended a war which they had thought and were told was a war to end wars, and they little thought then that in so short a space of time, conditions would change to such an extent that their President's speech would be dominated by such subjects as voluntary national service, a compulsory register

and the compulsory military training of articled clerks and its interference with their studies, or that it would be necessary for their President to use those very impressive words which he had uttered on the subject of national finance.

On that subject, the members present could fully endorse all that Mr. Holman had said, because in the course of their various practices they had come across cases where they saw evident signs of that slackness in supervision of expenditure by Government Departments.

Members had been invited to send in their names for a register for national service, because accountants were apparently considered of national importance in war time. Now, as the President had said, they did not know whether, or to what extent, the services of accountants were going to be required; but from what they had seen, and in view of the tremendous expenditure which was piling up at the present time, he (Mr. Walter) suggested that the services of their profession were important at the present moment and that a very fine national service could be rendered by the accountancy profession if it were invited to assist in the checking of the proposed expenditure and in the control of it, rather than that they should be left indefinitely, waiting for an emergency which might, as they sincerely hoped, never occur.

To strike a brighter note, he wished to turn to Youth and Hope in the form of their younger members, and to the subject of professional education. Professional education was a matter which vexed the minds of all those who had the future and the prestige of the Society at heart. Owing to the increasing demands made upon accountants, the standard of education must increase. The President had made a passing reference to University training. The ideal would perhaps be, that everyone entering that Society should have a University training, either prior to his admission or running concurrently with his period of training. But to put that into practice immediately—not that there was any suggestion that it should be done—would, unless the opportunities for that training were open to everyone without exception, be an infringement of the principles upon which their Society was founded.

It might, however, be possible to take a step or two in that direction. Many of those present had attended the courses at Oxford and Cambridge and they knew, only too well, the very great value which they had obtained from those "Refresher Courses." He thought the word "Refresher" was true in its fullest meaning, and, speaking from personal experience—and no doubt others would concur—he considered that the refreshment which they had derived from those Courses had been chiefly from the getting together informally and discussing with other members, not only from their own district but from other parts of the country, various matters of professional interest; and that discussion had gone on not only during the so-called working hours but throughout the day.

Bacon, in his "Advancement of Learning," wrote: "Reading maketh a full man, writing an exact man and conference a ready man." The training of articled clerks to-day was largely dependent upon a very highly specialised form of tutorial training. They had the reading and the writing, and surely it was not beyond the wit of the Society to devise some method whereby

articled clerks could occasionally meet together formally in University style and sharpen their minds on one another in regard to their proper professional subjects, and so help to make themselves not only ready accountants, but more valuable accountants. (Applause.)

Mr. Percy H. Walker said there was no need to attempt to gild the lily, and after what Mr. Cedric Walter had said he would not dwell any further on the excellence of Mr. Holman's address. He wished to say how glad they all felt that the Council had made a pronouncement on the question of the six months' training for articled pupils, but he thought that if the Society was going to make a recommendation at all, it would have to be something more concrete than the suggestion so far put forward by the Chair. He wished to suggest that at the expiration of the time of an articled clerk, who had had to serve six months national training, he should be retained as a salaried clerk for an extra six months. That would solve the question.

The President, following a pause, remarked that he took it that the lack of speakers indicated complete satisfaction on the part of the members with the report and accounts as submitted, and as they had another meeting timed for half-past-three he would not attempt to do more than thank Mr. Cedric Walter and Mr. Percy Walker for their helpful comments, but would immediately put the motion to the meeting.

The resolution was then put to the meeting and carried unanimously.

The President next moved:—

"That the Members of the Society of Incorporated Accountants and Auditors in General Meeting assembled approve and confirm the action of the Council in contributing from the funds of the Society during the year 1938 the sum of 150 guineas to the Endowment Fund for the School of Business Administration at the London School of Economics and Political Science."

He said that it was customary, when any considerable donation out of the funds of the Society was made, for it to be brought before the members for confirmation. An appeal was made by the London School of Economics for an Endowment Fund for instituting a special department of Business Administration. That fund received wide support in the City of London and the Council felt it would be in the interests of the Society that some contribution should be made as an earnest of their interest in that work.

Mr. Percy Toothill formally seconded the motion and it was put to the meeting by the President and carried unanimously.

Sir Thomas Keens, D.L., moved the following resolution:—

"That the following members of the Council who retire in accordance with the provisions of Article 49 be re-elected:—

London.

MR. HENRY MORGAN.
MR. RALPH THOMAS WARWICK.
MR. RICHARD ALFRED WITTY.

Provinces.

MR. RICHARD WILSON BARTLETT, J.P.
MR. RALPH MACAULAY BRANSON.
MR. JOHN PATERSON BRODIE.
MR. FREDERICK ARTHUR PRIOR.
MR. JOSEPH TURNER.
MR. FRED WOOLLEY, J.P."

Mr. E. Cassleton Elliott seconded the motion, which was carried unanimously, and **Mr. R. Wilson Bartlett, J.P.**, briefly expressed thanks on behalf of his colleagues and himself.

The Chairman then moved :—

"That the following member appointed to fill an occasional vacancy on the Council, in accordance with the provisions of Article 48, be elected a member of the Council :—

Provinces.

MR. ROBERT EDWARD STARKIE."

He said that **Mr. Starkie** had been elected by the Council to fill the place of the late **Mr. Tom Coombs**. **Mr. Starkie** took an active part in a Conference held some years ago in Leeds, and the Council were glad to welcome him as an associate in the work of the Society.

Mr. Henry Morgan seconded the motion.

The resolution was unanimously adopted, and **Mr. Starkie** briefly responded.

Mr. A. F. Chick proposed the following resolution :—

"That **Mr. Arthur Henry Hughes**, Incorporated Accountant (Messrs. Hughes & Allen), London, and **Mr. Percy Henry Walker**, Incorporated Accountant (Messrs. Percy Walker, Simpson & Co.), Cardiff, be re-elected Auditors of the Society at a remuneration of thirty guineas each, **Mr. Walker's** travelling expenses to be paid in addition."

He said it did not require any words from him to commend the motion to their consideration, but he was sure it was the wish of the members that he should express their warmest thanks to **Mr. Hughes** and **Mr. Walker** for their very excellent services on behalf of the Society during the past year.

Mr. H. Green formally seconded the resolution, which was carried unanimously.

Mr. Percy Walker returned thanks on behalf of **Mr. Hughes** and himself.

Mr. G. Hewetson Nelson, J.P., then moved the following motion :—

"That the Members of the Society in General Meeting assembled desire to tender to **Mr. Walter Holman, F.S.A.A.**, their sincere and hearty thanks for the able and valuable services rendered by him as President for the past two years. The Society desires particularly to record its appreciation of **Mr. Holman's** representation of the Society at important meetings of the profession abroad and of the able manner in which he presided at the Dinner in Guildhall on March 16 last, when the Society was honoured by the presence of **H.R.H. The Duke of Kent**. That the foregoing resolution be suitably inscribed and presented to **Mr. Holman** on behalf of the Members of the Society."

He said that it fell to his lot, as senior Past-President of the Society, to move the resolution, and he did so in no formal manner. He felt they were deeply indebted to **Mr. Holman** for the wonderful and excellent service he had rendered during his occupancy of the Presidency. He (**Mr. Hewetson Nelson**) had been on the Council for close on forty years and he certainly could not remember any President who had done better service all round for Incorporated Accountants than **Mr. Holman**. (Hear, hear.) He had a peculiar sagacity of mind and a serenity of temper which had made for the peace and good order of their Council meetings throughout the past two years. He had had the privilege of accompanying **Mr. Holman** to America on the occasion of the Fiftieth Anniversary of the American Institute of Accountants, and he could assure members that the welcome given to their President in that country

was extremely affable, and all that **Mr. Holman** did and said on that occasion reflected the highest credit upon the Society.

As to the Guildhall Dinner, he (**Mr. Nelson**) was unfortunately unable to be present owing to illness, but from the numerous letters he had received after the event he had come to the conclusion that it was probably the greatest function the Society had ever held. (Hear, hear).

Mr. Holman was characterised by a rare modesty—which he (**Mr. Nelson**) thought ran in the Society's ex-Presidents—(laughter)—and by his courtesy, and in addition to all that he possessed what **John Morley** called a "sure-footed-mind." Having said that, he (the speaker) wished, if he could find suitable words, to say something with regard to **Mr. Holman's** inspiration—he referred, of course, to **Mrs. Holman**. (Hear, hear). It had been a great pleasure to them at all times to meet **Mrs. Holman**, and the grace of her charm had sometimes, he thought, even eclipsed slightly that of her husband. He, therefore, desired to add the name of **Mrs. Holman** to the resolution which he now proposed.

The vote of thanks was carried by acclamation.

The President, in responding, said that the warmth with which those present had endorsed the extremely kind words which had fallen from the lips of **Mr. Hewetson Nelson** made his task of acknowledging that vote of thanks as difficult as any he had had to face—and they had been many—during the past two years. He was happy and proud to feel that the terms of the resolution and the extremely kind words which had been used by **Mr. Hewetson Nelson** meant that he had served the Society and carried out the duties of his office to their satisfaction. (Hear, hear). But that service was not an isolated one. Others had participated in the work and should therefore share in their thanks.

He had received from the Past-Presidents, from the Vice-President and from his colleagues on the Council, that comforting support which had enabled him to act and speak without any fear that they would let him down. He wished to acknowledge, not only on his own behalf but on behalf of the Society as a whole, their indebtedness to the Solicitors of the Society, and particularly to **Mr. Norton**, who was with them that afternoon, whose sound and sane advice was one of the intangible and very great assets of the Society. He had also to acknowledge the assistance of his partners and his personal staff, whose patience had always been inexhaustible, and sometimes vocal. (Laughter). He wished furthermore to thank the Presidents and Secretaries of their District Societies, by whom he had been most royally received and welcomed. Over and above all, he had to express his very grateful thanks to the permanent Staff of the Society. (Applause). He did not propose to mention anyone by name. During the past two years he had watched, with growing admiration, a perfection of organisation which could only result from first-class team work, and it would be one of his happiest and proudest memories that for a time he had been associated both with the spirit and with the work of that splendid team. To each of those, to **Mr. Hewetson Nelson** and to all the members present, he wished to express the heartfelt thanks, both of himself and of **Mrs. Holman**, whose name had rightly been added because it was to her that he owed whatever success he had achieved.

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THE PRESIDENT'S SPEECH

In the address which he gave to the assembled members of the Society on the last day of his presidency, Mr. Walter Holman characterised the second of the two years in which he occupied the office as "a year of exceptional activity arising not only out of the affairs of the Society and the profession but also out of the pressure of external events." This was no exaggeration. In the Society's long history there can hardly have been a year of the same tempo and the same momentum. A profession so closely bound up with industry and commerce as the profession of accountancy cannot but feel the full effect of our modern distempers. And in the great drive which is being made towards national preparedness, it cannot but take a central place.

Mr. Holman, in his address, had necessarily to deal with this national effort at some length. Perusal of the address shows, for example, the co-operation which the Society of Incorporated Accountants has extended to the Government in the matter of national service. Mr. Holman recorded that the Society gladly took steps to comply with the Government's request for the compilation of a national register of accountants who would volunteer for professional work which the authorities might require them to do. He informed his audience that some 3,500 cards had been handed to the Ministry of Labour as a result of this request—a total which must be considered eminently satisfactory. At the time when the cards were completed, however, accountancy was a reserved occupation: its members could not undertake other forms of national service which would be whole time in the event of war. That situation was drastically changed only a few weeks ago, when accountancy was removed from the reserved list. Thus the profession was, to say the least, left in a position of uncertainty. "I feel bound to say," stated Mr. Holman, "that I sympathise with and share the feelings of bewilderment left in the minds of members who have volunteered for the national register by the lack of continuity in the Government's dealings with this matter."

We are surely entitled to a measure of consistency in Government action on such matters. It is an unwelcome thought that this lack of decision may show itself in other, more important, aspects of the drive towards preparedness. Though Mr. Holman was able to confirm that the obligation to give professional services, which was implicit in the completion of cards by members, is still a binding one, it is disturbing that unnecessary uncertainty should be produced in times which are uncertain enough.

In pursuance of what was, by necessity, the main theme of his valedictory address, Mr. Holman discussed the position of the Society in relation to the Military Training Bill. He announced the decision of the Council that the whole of the period of service required of the Society's candidates under that Bill would count towards the necessary professional service under Articles of Clerkship and under the Special Bye-Laws. There can be no suggestion that the standards required of those entering the Society are in any way lowered—indeed, as Mr. Holman stated in another part of his speech, it happens that the revised syllabus which comes into effect for the examination sittings after the next make the entrance tests even more comprehensive than they were formerly. We have no doubt that there will be general agreement among Incorporated Accountants with the Council's decision not to penalise candidates who must serve their time as "militiamen" during their training as accountants.

Passing to a wider field, Mr. Holman dealt with the subject of the national finances, and in doing so he gave expression to a view which, unfortunately, is not heard frequently enough. He emphasised the need for a strict control of all Government Departments. There is reason to suspect, he said, that extravagance and waste have been allowed to occur to a greater extent than may be warranted by the time factor. He referred his listeners to the Report of the Comptroller and Auditor-General on the Air Services in part evidence of this criticism. Anybody who has read that illuminating document will agree that it suggests the existence of an unsatisfactory state of affairs. The Government system of costings is not, it appears, working well, at least in the airplane industry. We have no assurance that the utmost efficiency is forthcoming at the most economic price. Those professional accountants, we suggest, who are concerned with industries actively engaged on rearmament are able to underline the telling phrases of the Auditor-General. But, more than that, the accountant is possibly able to point to a remedy for Government consideration. The profession has not yet been brought by the authorities into the fullest co-operation in this matter, which is eminently a matter of accountancy: if the professional accountant were charged with safeguarding public funds—at least, in certain directions—as is the case with private funds, waste and inefficiency would be unlikely to continue on the present scale.

We have said enough to indicate some of the problems which have arisen for the profession in recent times and with which Mr. Holman dealt in his speech. They have arisen very largely during his presidency of the Society. If we may for a moment introduce a personal note, we would record that Mr. Holman has brought to bear on these matters, as on the other multifarious tasks which have fallen on him in the last two years, a facility of despatch and a felicity of address which few possess. His two years of presidential office will be impressed with the epithet "outstanding"—not only because of the "pressure of external events," but also because of the acumen and charm of the Incorporated Accountant occupying the office.

TAXATION**Tax Avoidance**

Prior to the Finance Act, 1936, it was sometimes suggested that a person who paid sur-tax did so either through patriotic scruples or through ignorance of the fact that he had only to seek advice from those specialising in tax avoidance schemes. That suggestion contained a large element of exaggeration, but it was generally known that there were schemes available which in certain cases opened up avenues for the legal avoidance of sur-tax.

The Finance Act, 1936, struck the first real blow to these schemes, and, being made retrospective to the year 1935/36, was effective in catching many of the simpler ones. The excuse then made for the retrospective legislation was that the sur-tax for 1935/36 still fell to be collected, not being due until January 1, 1937, and there was, therefore, no hardship to the subject. We did not find this argument very convincing, though it was not without plausibility. We confess to the feeling that the subject should be able to conduct his affairs secure in his knowledge of the law, and without fear that what he does may be made abortive, *ab initio*, at some future date. The fact that the legislation in question intended to prevent one taxpayer from reaping an advantage over another, and therefore might gain sympathy on those grounds, does not in the slightest degree detract from our criticism of the principle involved.

The Chancellor of the Exchequer made it clear in 1936 that the Crown intended to minimise legal avoidance of tax, and, the Act of 1936 quickly having been proved to be riddled with loopholes, the Finance Act, 1937, contained further restrictive legislation, which was, in certain respects, made retrospective for two years, that is again to the year of assessment, 1935/36. The only excuse available on that occasion was that the taxpayer had been warned; and as the Act of 1936 had not done its job thoroughly, amendments were introduced to achieve its intention. The Act of 1938 also contained restrictive provisions, though, in general, of a different type, but again retrospective in many respects, though only for one year.

The battle between the Crown and the taxpayer did not cease, however; the schemes became more complicated, and dependent often on the meticulous interpretation of phrases. It appears, however, that the Crown are determined to put an end to avoidance, and that a taxpayer who enters into a scheme of avoidance in future is likely to live in a "fool's paradise," or in trepidation, until his scheme is made abortive *ab initio* by a future Finance Act. The bill recently

published contains a provision which goes back to 1936/37—no less than three years. The principle, if it can be so called, of retrospective legislation is thus firmly established; there seems to be no time limit in view; and we cannot help being disturbed by the precedent thus created. It is true that it is confined at the moment to legislation to prevent tax avoidance, but the principle of retrospective legislation is wrong, and if it is allowed on the question of taxing the subject, there is a danger that it may be extended in less excusable directions. Nor is the plea that due warning has been given an altogether convincing one. We cannot help wondering whether a taxpayer who chooses a date for commencing, selling or closing his business, by reference to its effect on his taxation liability, can regard himself as "safe."

The first proposed amendment is an enlargement of the definition of "control" in determining whether a company is within Section 21 of the Finance Act, 1922. Section 19 (i) (c), Finance Act, 1936, brought a company into the net if, on the assumption that the company was controlled by five or fewer persons, more than half of its income would be apportionable among not more than five persons. In other words, if, on the assumption that white was black, something would follow, then white was black! This is now to be extended by substituting the following:—

(A company shall be deemed to be under the control of not more than five persons) "if,—

- (i) on the assumption that the company is a company to which the said section twenty-one applies; or
- (ii) on the assumption that the company and any other company or companies are companies to which the said section twenty-one applies,

more than half of the income of the company (including any income which has been apportioned to it, or could on either of these assumptions be apportioned to it, for the purposes of the said section twenty-one) could be apportioned for those purposes among not more than five persons."

This provision was necessary, as Section 19 (1) (c) of 1936 could be avoided by the insertion of new links in a chain of companies. The insertion of new links in the chain has also made necessary in the case of investment companies a proposal that apportionments made by reference to rights on winding-up are to apply to sub-apportionments (the term will be self-explanatory to accountants) as well as to original apportionments, and shall so apply even if no direction has actually been given. The aim is to arrive at the person to whom income could be finally apportioned if it were followed through the whole chain of companies.

The above proposals are to have effect for 1936/37 onwards, "and shall so have effect in the case of all persons notwithstanding that the liabilities of those persons to tax have been finally determined in whole or in part before the passing of this Act, and notwithstanding that all or any of the relevant powers of the Special Commissioners have, by virtue of something done or omitted to be done before the passing of this Act, ceased to be exercisable . . ." Final determination may seem a curious term to employ in a clause providing for re-opening, and clients may be somewhat sceptical of the benefits of fighting appeals in future!

Some decisions of the Special Commissioners on appeals against directions have been most embarrassing to the Crown. For example, it has been decided in many cases that in the case of an investment company an amount might reasonably be withheld from distribution because the capital value of the investments had gone down. It has, therefore, become necessary in Clause 14 to provide that apportionment of income under Section 21, Finance Act, 1922, is to be automatic in the case of investment companies to which that Section applies; whether or not there has been a reasonable distribution is not to be considered. No deduction is to be allowed in computing the actual income which would not be allowable in computing the total income of an individual, and the right of the directors to make a statutory declaration, and the restrictions on the powers of the Special Commissioners where accounts have been submitted under Section 18 of the Finance Act, 1928, are no longer to apply. These provisions will not affect an investment company whose whole income is estate or trading income, which for this purpose means income chargeable to income tax under Schedule A or Schedule B and income which if received by an individual would be earned income.

Where the company has both investment income and estate or trading income, the two groups of income are to be regarded separately, the investment income being subject to automatic apportionment, but the other income being subject to a direction only in the event of there not being a reasonable distribution. Any distributions of income are to be deemed to have been made first out of investment income; outgoings are to be regarded as attributable to the income group that the Special Commissioners consider appropriate. The above provisions of the Clause are not to apply to any period after the commencement of winding-up, and the period between the end of the last year of assessment and the commencement of winding-up must be treated as a year of assessment.

The Clause is made retrospective to 1938/39, and where a direction is made under it for 1938/39, the Special Commissioners are to be empowered, for the purposes of assessment to sur-tax for 1937/38, to

treat the period (a) beginning with the end of the last accounting year or period ending before April 5, 1938, and (b) ending with April 5, 1938, as an accounting period or as a year of assessment, for the purposes of Section 14 (2), Finance Act, 1937.

Clause 15 empowers the Special Commissioners to follow income through to any person who is not a member of the company but is or is likely to be able to secure that the income or assets of the company may be applied either directly or indirectly for his benefit. This clause has become necessary owing to devices such as the formation of "rings" of companies, whereby the income, if apportioned, would go round in a circle of companies without reaching any individual, so that no sur-tax would be capable of computation, yet a director or other person managing the company could borrow the money. We are not discussing this clause in any detail as the general statement will convey to those interested a sufficient indication of what it proposes.

Clause 16 proposes to give to the Special Commissioners additional powers to obtain from an investment company any information which they consider necessary for the purposes of Section 21 of the Finance Act, 1922. Clause 17 will give them further powers to require any person to include particulars as to transactions with respect to which he is or was acting for others, and matters which the Commissioners consider to require investigation, and as to whether the person has taken or is taking any part in any, and if so, what transactions of a description specified in the notice. A solicitor is to be protected against divulging information without the consent of his client, save in specified respects. Clause 18 will give power to obtain information as to income from securities received on behalf of others by intermediaries, showing who is beneficially entitled to the income. The state of the law as it will be when this Bill becomes law makes us wonder if it would not be easier for all parties if the Special Commissioners were empowered to decide whether or not the purpose of any transactions was the avoidance of sur-tax, without any qualifications other than those necessary to protect bona fide trade. Each case would then be fought on its merits, and not by reference to legal quibbles, as is rapidly becoming the position.

The avoidance of estate duty also is attacked in Clauses 20-22. In moving the resolution on the point, the Attorney-General instanced the case of a family man who wished to take out a life policy, which in the ordinary way he would settle on trustees, so that on his death the money would be there for his wife and children or other dependants; but instead of doing it in that way (which would attract estate duty) he would settle say £100,000 on trustees, who would transfer it to a company. The company would take out the policy, and lend £95,000 to the prospective deceased, who would pay interest on the loan, thus

giving the company each year the money to pay the assurance premiums. The £95,000 would in due course be a debt deductible from the deceased's estate, and the annual interest be a deduction for sur-tax. The proposed clauses will put the estate in the same position as if the transaction had been done in the ordinary way. Other schemes of a like type will also be caught in the net. The proposals are only to apply to deaths after budget day, April 25, 1939. We hope to be able to discuss these particular clauses in more detail in a later issue.

TAXATION NOTES

Income Tax Returns

The return forms for 1939-40 do not add to simplification; the provisions of recent Finance Acts on the prevention of tax avoidance has gradually added "classes of income," most of which will be incomprehensible to the layman. For example: "Income, not taxed at the source, receivable by a company, trust, etc., abroad, in the circumstances referred to in Note 12"; "Income, not taxed at the source, under settlements, etc., such as are mentioned in Note 13"; and similar headings in Section C dealing with income taxed at the source, will not convey much to the ordinary reader. The notes referred to are, no doubt, as clearly worded as it is possible to make them; but it speaks for itself that each of the notes ends with the words: "Further information on this subject may be obtained" from the Inspector of Taxes or the Clerk to the Special Commissioners as the case requires. Perhaps, as accountants, we should not complain, but accountants must join in deploring the necessity for legislation which is unintelligible to the subject, and even in many cases to His Majesty's judges.

N.D.C.—Directors' Remuneration

There appears to be a widespread misapprehension regarding the extent to which Rule 11 of the Fourth Schedule, Finance Act, 1937, affects remuneration of directors. Many people have the erroneous impression that there is only a restriction on "fees," so-called. Reference to the rule, however, shows clearly that the restriction is on "remuneration." It seems clear, therefore, that where a director also holds some other office in the company, for example that of secretary, the remuneration from both offices is remuneration of the director. Were this not so, there would be a loophole which would be altogether too obvious.

Management Expenses

The effect of Section 33, Finance Act, 1933, in regard to claims for repayment of income tax on management expenses under Section 33, Income Tax

Act, 1918, should be noted. Where the claim under the 1918 Act is restricted by reason of proviso (a) to sub-section (1) (by reference to the notional Case I profit), the balance of the management expenses can be carried forward to the following year or years (with a limit of six years), under the 1933 provision, as shown in the following illustration:—

A financial company's income for 1937, as adjusted for income tax purposes, was £1,000. It also received interest assessable under Case III of £50. In 1938 the company's income was as follows:—

| | |
|--|------|
| From investments (gross amount) | £600 |
| Schedule A assessment on properties owned | 500 |
| Untaxed interest | 45 |

The expenses of management for 1938 were £300. Computation of repayment:—

| | |
|-------------------------------------|------|
| Management expenses | £300 |
| Deduct Case III assessment, 1938-39 | 50 |
| | £250 |

Amount on which tax has been suffered, 1938:

| | |
|--------------------------|--------|
| Investment income | £600 |
| Schedule A | 500 |
| | £1,100 |

Under proviso (a) to Section 33 (1) of 1918, the company must not be repaid tax on management expenses in so far as the result would be to make the company bear tax on a sum less than the profits of the previous year (on the basis that the whole profits and income were assessable under Case I).

The company's claim must therefore be restricted as follows:—

| | |
|--|--------|
| Amount on which tax has been suffered | £1,100 |
| Profits of previous year (including untaxed interest) | 1,050 |
| | £50 |
| Maximum amount on which repayment is allowed | £50 |

Repayment will be made on £50, leaving £200 of the management expenses to be carried forward to 1939.

It is important to note that the 1933 provision does not apply to an investment company, as the proviso to Section 33 of the 1918 Act does not apply (*Simpson v. Grange Trust*, 19 T.C. 231). An investment company, therefore, obtains repayment on its management expenses regardless of the previous year's income, but if the expenses exceed the current year's income, the excess cannot be carried forward.

Claims under Section 33 of 1918 are made on the basis of the figures for the accounting period in most cases, though strictly they should be made on a year of assessment basis.

There are no Taxation Cases for report this month. The usual notes will appear in the July issue.

Legal Notes

COMPANY LAW

Dissolution under Sections 153 and 154—Transfer of property rights and liabilities to another Company—Contracts of Service.

The Court of Appeal recently affirmed the decision of the Divisional Court in *Nokes v. Doncaster Amalgamated Collieries, Ltd.*, which was referred to in the November 1938, issue of ACCOUNTANCY (page 42). The reference to the proceedings in the Court of Appeal is 1939, 2 All E.R., 668. This decision establishes that one of the advantages of utilising the procedure provided by Sections 153 and 154 of the Companies Act, 1929, in the case of reconstructions or amalgamations is that under this procedure it is possible by an order of the Court to transfer to the transferee company all the rights and liabilities of the transferor company. It had been argued on behalf of a miner employed by a colliery company which was dissolved under Section 153, that the order made under Section 154 transferring to the respondent company property rights and liabilities of the colliery company could not cover a contract of service, because it was of the essence of such contracts that the contracting party was entitled to personal performance and in default thereof could treat the contract as at an end; that therefore contracts of personal service were not assignable. The Court of Appeal unanimously upheld the decision of the Divisional Court that such an argument could not be sustained, and that by order of the Court the assignment of contracts of personal service is included in a general assignment of all the property of a company about to be dissolved to a new company formed for the purpose of taking over the business. The Master of the Rolls, delivering the judgment of the Court, said that the language of the section was wide enough to cover the case of a contract of service and that the only way in which a decision could be made in such a case was by substituting the transferee company as employer. The word "transfer" was not a word of art. The right to the service of an employee was the property of the transferor company; the liability to remunerate the employee was a liability of the transferor company; all rights and liabilities were transferred. In view of this decision it is possible that there will be more applications under these Sections and that this method for effecting amalgamations and reconstructions will be more often employed.

INSOLVENCY

Bankruptcy—Deed of Arrangement—Petition—Estoppel as distinct from assent to Deed of Assignment—When an amendment of Petition is allowed—Signature by a partner.

The well-established rule that a creditor who has assented to, or recognised, a deed of assignment cannot rely on that deed as an act of bankruptcy was considered by the Court of Appeal in the recent case of *re a Debtor* (23 of 1939) (1939, 2 All E.R., 338). It was held that acts done by petitioning creditors in relation to the deed, although they estopped them from relying on the execution of the deed as an act of bankruptcy, could not estop them from relying upon an earlier act of bankruptcy.

The facts were as follows: On January 6, 1939, the debtor notified the petitioning creditors of his intention to suspend payment of his debts, but did not declare any intention of executing a deed of assignment. In fact he had no intention of executing such a deed. On January 9, on the suggestion of the trustee, the debtor executed a deed of assignment. At a meeting of creditors, a majority passed a resolution empowering the trustee to act under the deed. On that resolution the petitioning creditors did not vote and they subsequently moved a resolution in favour of bankruptcy proceedings, but this was not carried. They then filed a petition based upon the notice of suspension of payment on January 6. Later the petitioning creditors received orders for goods from the trustee. They supplied goods and received payment for them. The petition was signed by a partner in the name of a firm, and at the hearing the registrar allowed an amendment whereby the signature of one partner was inserted.

The Court of Appeal held that the amendment was properly allowed, though Rule 278, regarding the proper signature where a firm of creditors are petitioning, had not been strictly complied with. It was an irregularity which could be cured by amendment within the Bankruptcy Act, 1914, Section 109 (2) and the Bankruptcy Rules, 1915, Rule 385.

The acceptance of orders from the trustee and the receipt and payment for those orders, with knowledge that he was acting as trustee under the deed, were sufficient acts of recognition; but the petitioning creditors were themselves relying not upon the execution of that deed, but upon the prior notice of suspension. The distinction between conduct which precludes a creditor from relying on a deed of arrangement as an act of bankruptcy and conduct which amounts to an assent binding him to its pro-

visions had long been recognised. In the present case no binding assent could be found, and the Court could not accept the argument that the creditors were prevented from relying not merely upon the deed itself, but also upon an earlier act of bankruptcy entirely unconnected with that deed. It would be contrary to all principle to hold that acts done in relation to one matter only, namely the deed, estopped the creditor from ascertaining the true facts in relation to a distinct and unconnected matter. Estoppel could not operate beyond the particular matter to which were related the words or conduct from which it arose.

It was further argued that the notice of suspension should be treated as forming part of the same transaction as the deed of assignment itself. The Master of the Rolls said that—though it was well settled that a creditor who is precluded from relying upon a deed of assignment cannot rely upon, for example, circulars convening a meeting to decide questions whether or not a deed of assignment should be executed by the debtor—that analogy was not applicable to the facts in this case. The notice of suspension given on January 6 to one particular creditor had nothing to do with the act of bankruptcy constituted by the execution of the deed, and stood on quite a different footing from such notices as were considered in the cases referred to. The notice was not given in contemplation of the execution of the deed, because at that time the debtor did not intend even to consider executing a deed of assignment. The suggestion of executing such a deed came from the trustee three days later. The decision of the registrar was affirmed and the appeal dismissed.

EXECUTORSHIP LAW AND TRUSTS

Loose-leaf Wills—When are separate sheets admissible to Probate?—Lists of bequests on separate sheets not joined together, but placed in same envelope by testator.

The loose-leaf method of preparing documents is of obvious convenience, but from a legal standpoint it has inherent disadvantages. Nearly four years have elapsed since the *Hearts of Oak Assurance Case* (1936 Ch. 76) in which Bennett, J. held that certain loose-leaf documents did not constitute a minute book within Section 120 of the Companies Act, 1929. Despite the fact that the decision in that case has not necessarily a general application, since the particular circumstances of the case were highly important in leading to the decision, testators should be firmly discouraged from attempting to make their wills in loose-leaf form, unless they desire to provide litigation in the Probate Division.

In this respect the Court allows some latitude. It does not require that the sheets be physically joined together in some way. A clear reference in the will itself to other documents incorporated in the

will raises the presumption that they all formed part of the will at the time of execution; but the presumption may be rebutted by evidence. In most of the leading cases there has been a specific reference, not only in the main testamentary document, but also in the documents incorporated.

In the case of *In the estate of Saxton, Barclays Bank, Ltd. v. Treasury Solicitor* (1939, 2 All. E.R., 418) Henn Collins, J. in the Probate Court, had to decide upon the validity of several documents drawn up in the following circumstances. It was proved that the testator had commenced to write his will at about 11 a.m. and was seen to be writing continuously until 1.15 p.m. He then telephoned to the bank, whom he appointed executors. The bank sent two witnesses and the will was duly executed. After execution the testator placed the document in a drawer. Some weeks later the testator was seriously ill. The drawer was taken up to his bedroom and he took from it two documents which he placed in an envelope. After his death it was found that the body of the will was of no dispositive effect, merely reading, "I give devise and bequeath all my real and personal estate among the following persons and I hereby appoint executors to this my will." With the will there were found four other sheets of paper undated, but each began with the statement "I wish to leave the following amounts," followed by various amounts allocated to different charities. There was no direct evidence that anybody had seen those documents and there was a further document in the envelope not material to the will. The Court found on the evidence that the testator had been writing for two hours and it must be assumed that he had written the lists at the same time as and as part of his will and that they were in being when the will was executed. In those circumstances he pronounced for the will, including the loose sheets, which were undated.

Precatory trusts—Home-made Will—Absolute gift with request to leave property to named persons—Absence of imperative direction—No trust.

Testators must be at pains to indicate clearly those trusts which they intend to be binding. Precatory words, for example, "I request," or "It is my wish," will impose no obligation unless there is some imperative direction contained in the will construed as a whole. In *re Johnson, Public Trustee v. Calvert* (1939, 2 All E.R., 458) the following provisions in a will had to be construed. The testator provided for an equal division of his estate between his mother and one C. He then provided "I request that my mother will on her death leave her property to my four sisters." Another clause read "I request that C. will on her death leave her property to my four sisters. Should C. die before me, the whole of my property shall be given to my mother." The testator's mother predeceased the testator, who died

without issue. Questions arose therefore whether the first moiety of the testator's residuary estate went as on an intestacy or to his surviving sisters, and whether the other moiety belonged to C. absolutely or was to be held upon trust for C. for life with remainder to the testator's surviving sisters. Crossman, J. held that on a construction of the will he was forced to the conclusion that the testator had not meant to impose any imperative obligation on either of the two persons between whom he divided his estate. The testator had expressed merely a wish which he hoped would be carried out, but he gave the property to them absolutely. There was an absolute gift to C. and to the testator's mother in equal shares and as the mother had predeceased him there would be an intestacy as to that share. The other moiety went to C. absolutely as the original donee, who survived the testator.

Will—Income to wife for life—Division of capital between Testator's brothers and sisters on his wife's death—Sister predeceased wife—Estate vested on Testator's death and therefore sister's estate entitled to share in distribution.

There are various principles of construction leaning in favour of the early vesting of estates bequeathed by will. Thus it is settled by what is known as the rule in *Lassence v. Tierney*, that where there is an absolute gift to a legatee in the first instance, and trusts are imposed on that absolute interest which fail for any reason, the absolute gift takes effect so far as the trusts have failed, to the exclusion of the residuary legatee or next of kin as the case may be.

This rule was applied by the Judicial Committee of the Privy Council in the recent case of *Greenwood v. Greenwood and Others* (55 T.L.R. 607) when an appeal from an order of the Supreme Court of Fiji was allowed. The testator, who was survived by his wife and several brothers and sisters, had provided in his will that his wife should enjoy the free income of his estate during her life, and that as to the whole of his property remaining at the death of his wife "I hereby direct and empower my said wife to dispose of any undivided third share by will; and I direct my trustee to divide the remaining two-thirds equally amongst all my brothers and sisters now living, and if any of them shall have predeceased my wife, then to the child or children of such brother or sister shall be given the share such brother or sister would have received if alive." One of the testator's sisters who was unmarried survived him but predeceased his wife. The Supreme Court of Fiji had held that the share which that sister would have received had she survived the testator's widow was undisposed of by the testator's will and fell to his heirs as on intestacy. But the Judicial Committee held that this was clearly a case where the rule in *Lassence v. Tierney* was applicable and that the

right to the two-thirds of the estate had vested in the brothers and sisters on the testator's death. The share of the sister who had died in the lifetime of his wife could be divested only in the event of her predecease of the testator's widow leaving a child or children. That event had not occurred and consequently the estate of that sister was entitled to share in the distribution of the two-thirds of the residuary estate. Her representative was therefore entitled to her share.

LETTER TO THE EDITOR

To the Editor of ACCOUNTANCY

SIR,—In common with other members of the Society (and Institute) I received, and completed, the forms sent out with regard to the particulars required by the Ministry of Labour for National Service. While I do not wish to minimise the need for this enrolment, I think it extremely important that the accountancy profession should not take the line that its members will serve their country only in their own offices or in Government Departments, or, in other words, dig themselves into "khushi" jobs. There seems an increasing tendency for this to be done. I think that both bodies should concurrently with the compilation of the register proceed to see how many members of the profession can be spared to join the Defence Services, which, after all, are the primary consideration. Personally, I think that the whole A.R.P. organisation is putting the cart before the horse; this is due to the National Service Handbook issued by the Government in which one had to read more than half before there appeared any mention of the Services, which should have come on page 1. After all, if there were no Services in a war, there would be no country to bother about, and the corollary is that if these are 100 per cent. efficient the need for A.R.P. is gone.

The profession seems to be considering how many of its members can be made exempt as being in a reserved occupation, but if we approached the matter from the other angle by enquiring how many of our members we can release without impairing our efficiency, I am sure we should command more respect from the general public.

I hope it is not too late for both the Institute and the Society to adopt a more enterprising and public-spirited attitude in this matter.

The introduction of conscription will not really affect the matter as it concerns only people of a particular age, but it appears to me that all offices should organise themselves to deal with the situation which will arise in the event of war, so as to enable the profession to pull its maximum weight all round.

I have been for a number of years in the Territorial Army and meet quite a number of professional accountants in that service, but there must be a good many more who could be made available and who are not.—Yours faithfully,

"GURKHA."

May 1, 1939.

MUNICIPAL ACCOUNTS

Mortgages of Local Authorities

There has been some discussion during the past few weeks, initiated by *The Financial News*, on the mortgage borrowing of local authorities. The question is of sufficient interest to warrant an amplification of our Professional Note on the subject last month.

It has been suggested that there has been an undue turning away from stock issues in favour of mortgages and that mortgages themselves are not an altogether satisfactory method of borrowing, in so far as the market for them is unregulated. Further, it is suggested that there has been a tendency towards under contraction of loan periods. The proximate cause of the discussion is the virtual cessation during the past few months of home corporation stock issues, the only two issues for some long time being those of Essex and Barking. A good deal of publicity was given to a case where a local authority deliberately declined a stock issue on the grounds that the terms were too expensive, and elected, instead, to raise the money on short-term mortgages. Some particulars also appeared in the financial press of another case of an authority which negotiated a few large mortgages to repay a six per cent. stock issue, thereby securing a considerable block of money on better terms than were obtainable by an issue of stock.

Now there is, of course, nothing new in local authorities turning away from the stock market when rates of interest rise. The whole tendency at such times is to borrow for shorter periods; and rightly so, because the odds are in favour of the borrower securing a better bargain by waiting to fund his debt at a later date. Thus, those authorities which raised 20-year stock in 1920 and 1921 were, as events have turned out, unfortunate, for the stocks have been running during a period when the rate of interest has been much below six per cent., the rate at which much of the capital was raised. In fact, for a considerable time past rates have been not much more than a half of six per cent.

Not only has the market been rising recently and not only have both lenders and borrowers preferred shorter periods, but local authorities have been inclined to the opinion that the terms of stock issues were unattractive and did not reflect the true market rate. The effect of the control now exercised over new stock issues is also of considerable importance. Local authorities desiring to issue stock must now enter their names at the Bank of England and must wait their turn. Should they not take the opportunity when it arrives they must forfeit their place in the queue. It must certainly be counted as a deterrent to stock issuing that the discretion of the local authority as to the time of issue is considerably restricted.

Unhappily there are no statistics which show the distribution of the debt of local authorities between the various forms of borrowing. There are no published returns from which information can be extracted. It could only be obtained by an analysis of the accounts of the various local authorities, or by direct enquiry from the authorities themselves. The statistics, if they were obtained, would be most useful and informative. Far too little is known of the way in which the vast debt of local authorities—£1,750 million, according to a recent estimate—is distributed. In the absence of complete statistics we have had to content ourselves with extracting from the Stock Exchange Year Book the mortgage debt and stock debt of 22 representative county boroughs which, with the exception of a handful of counties, are the principal authorities acquiring funds both by mortgage and stock. Information was not available for a complete analysis of the debt of these authorities. We set out below the figures for 1931 and 1938. The term mortgage debt includes short-term and long-term loans and loans from the Public Works Loan Board.

| | 1931 | £ Million |
|-------------------|------|-----------|
| Stock Debt ... | ... | 97 |
| Mortgage Debt ... | ... | 74 |
| 1938 | | |
| Stock Debt ... | ... | 127 |
| Mortgage Debt ... | ... | 80 |

It will be seen from the above figures that whilst the mortgage debt was 76 per cent. of the stock debt in 1931, it was only some 63 per cent. in 1938. Thus, during the eight years' period as a whole, stock has been more popular than mortgages. Whilst the mortgage debt of these 22 authorities has increased by six million sterling, the stock debt has increased by no less than thirty million. There can, therefore, be no question of a great growth in mortgages at the expense of other forms of borrowing over the period under review. It is only to be expected that the recent change in market conditions would increase the popularity of mortgages at the expense of stock, but the figures show that, even if for a fairly considerable period local authorities borrowed by mortgages rather than by stock, they would have some distance to travel before the mortgages were as high a percentage of the stock as they were in 1931. This says nothing, of course, regarding the mortgage issues of authorities smaller than those included in our statistics; such authorities, in any case, rely very largely on mortgages for financing their capital requirements.

The figures given above confirm the impression that there is nothing unusual about the present position. The experience of financial agents, which is confirmed by an examination of the accounts of insurance companies and similar institutions, certainly does point to some increase in this particular class of mortgage investment in the recent past. But decidedly there is no need for alarm or for fears that local authorities have forsaken the stock markets.

It is extremely probable that, were it possible to analyse the mortgage debt figures shown above, between short-term mortgages for small sums and the larger mortgages associated with insurance companies and similar institutions, the analysis would show some increase in the latter at the expense of the former. In considering the mortgages of local authorities a careful distinction must be made between these two very different kinds of mortgage: the short-term mortgages which a local authority negotiates directly with the lender, over the counter or through the post (usually, but not invariably, for relatively small sums); and the long-term mortgages which are normally negotiated through agents or are investments of superannuation funds and similar funds of those local authorities which prefer not to invest such funds in their own securities. Long-term mortgages used to be mainly on the annuity repayment principle, but there has been an increase in recent years in the volume of loans repayable in a lump sum at the end of the period.

As regards short-term mortgages it is well known that these are much more prevalent in the northern parts of the country. An examination of the debt of authorities in the north and south brings this point out very forcibly. Short-term mortgages for small amounts have many virtues. They are an outlet for the savings of local citizens; their inflow is in a steady trickle rather than a series of large disorganising floods (one of the nuisances of stock issue); the flow can be regulated by graduations in the rate of interest; and, properly managed, the costs of administration are not heavy.

As regards the large sums negotiated through agents, providing that they can be obtained at the stock issue market price, they are superior to stock from the local authority's point of view. When sufficient funds are available in this way on satisfactory terms there is certainly no justification whatsoever for a stock issue. There is only a handful of lenders, transfers are rare, and the financing expenses are very much lower than they are with stock issues. The local authority can obtain sums as it wants them, and not because it has happened to come to the head of the long queue of borrowers on the list of the Bank of England. The periods may vary from a month up to sixty years; hence borrowings may be graduated so that the loans fall out piecemeal and not in disturbingly large sums. To the lender they are a first-class security and a means of inexpensively and

conveniently placing large sums of money. It is true that they are not freely marketable in the ordinary sense and that stamp duty is payable on transfers, but the class of borrowers chiefly interested in these loans, especially those making loans on the annuity principle, usually wish to hold the investment until its maturity. In any case there are local authorities willing to accept clauses which allow "breaks" at intervals of a few years. It is also essential to bear in mind that in many instances such loans are not necessarily competitive with stock. Stock issues are not practicable for the small authorities. They raise their loans by long-term mortgages from institutions, apart from the considerable sums they obtain from the Public Works Loan Board.

Another advantage of mortgage loans (both short-term and long-term) is the greater freedom enjoyed by the parties in the fixing of terms. In these days it is pleasant to come across a market where free competition rules. It is true that in a free market it is impossible entirely to eliminate the risk of an occasional exorbitant commission being exacted, or an occasional local authority, which is not wide awake enough to know the market rate, paying more per cent. than it need, but thanks to the freedom with which local authorities exchange information such occasions are rare. Then there is the additional safeguard provided by the District Auditor who audits the accounts of all the small authorities and some of the accounts of the larger authorities, so that it is safe to conclude that the practice of borrowing by mortgage is reasonably free from abuses. If a system of control were instituted it would probably be brought about by the necessity of mobilising savings in some future emergency rather than on the score that the market needs organising.

The truth is that this blending of stock and mortgages is a very happy one. It satisfies the canons of orthodoxy in that debt is distributed between the short and long term and the money is supplied to some extent from different markets. The City Treasurer of Birmingham pointed out some years ago that the municipal stock market is really a small one and very liable to indigestion. The existence of an alternative source of supply is, therefore, a great convenience to local authorities. Nor must it be forgotten that the exigencies of national finance, as interpreted by the Treasury, may compel local authorities for a period to look elsewhere than the London stock market for their capital requirements.

Building Societies' Progress in 1938

British building societies advanced on mortgage a total of £137,019,700 during 1938, against £136,856,000 in the previous year. These figures are given in a statistical summary recently issued by the Chief Registrar of Friendly Societies. The summary also shows that loans by the movement have exceeded £100,000,000 for six successive years. During 1938 assets of the movement reached a new high level of £758,896,700—an increase of £48,516,100 on the previous year's total.

FINANCE

The Month in Finance

Markets Slowly Recover

On the Stock Exchange May has been a month of slow but accelerating recovery. Its opening was not propitious, for Herr Hitler's May-day speech brought out a fair volume of selling which sent the *Financial News* index of ordinary shares down to its recent low of 78.4 and the index of fixed-interest securities to 114.9. Thereafter, prices showed continuous improvement. The market refused to be shaken by the dismissal of M. Litvinov, the protracted delay in our negotiations with Russia, or the signing of the Italo-German treaty, but instead profited by the continuous lull on the political front to make good some lost ground. Though the first four months of the year saw a definite swing out of gilt-edged into equities, gilt-edged have been very prominent in the general recovery. Apart from such factors as the oversold position in a market short of floating stock, and the general improvement in confidence, which have benefited all sections, gilt-edged have received a special impetus from the return to cheap money. After the inexplicable money market squeeze of April, the authorities have taken steps to maintain comfortable credit conditions, and the consequent collapse in discount rates to their normal level of little over $\frac{1}{2}$ per cent. encouraged a sharp rally in the short-dated stocks.

Defence Loan Coming ?

Later in the month the strength of the market became so pronounced as to give rise to rumours of an impending Defence loan. Technically there can be no reason for an early issue. The banks are still very short of Treasury bills, the tender issue is £130 million lower than a year ago, and there can be no objection to this kind of finance until a point of effective full employment is reached. On the other hand, this is the first suitable occasion for many months that the tone of the market has been sufficiently healthy to make an issue practicable, and the Treasury (after the warning of the Czech invasion) might well be reluctant to let any such opportunity slip. The following table shows the movements in a few representative securities during the month :—

| | Price May 25 | Change on April 26 |
|--------------------------------------|-------------------|-----------------------|
| War Loan | 95 $\frac{3}{8}$ | + 3 $\frac{3}{8}$ |
| Defence 2 $\frac{1}{2}$ per cent.... | 97 $\frac{3}{8}$ | + 3 $\frac{3}{8}$ |
| Conversion 5 per cent. | 109 $\frac{1}{2}$ | + 3 $\frac{1}{2}$ |
| Distillers | 94/9 | + 5/3 |
| Stewarts & Lloyds ... | 45/6 | + 6/1 $\frac{1}{2}$ |
| Vickers | 19/9 | - 9 |
| Bolsover Colliery ... | 41/9 | + 3/- |
| Royal Dutch | 35 $\frac{1}{2}$ | + 2 $\frac{1}{2}$ |
| British Oxygen ... | 81/3 | + 7/6 |

Industrials generally have benefited from the numerous indications that business activity is once again running at a high level. The April unemploy-

ment returns, which showed actual employment very near the 1937 peak level, were particularly striking. An analysis by industries and regions clearly indicates that, with Government expenditure at its present level, labour shortages are likely in many important industries before many months are up.

The Ban on Foreign Investments

In a Professional Note in our last issue we noted the important departure of policy made by the Chancellor when he appealed to private investors not to purchase foreign securities. Issues of foreign securities in this market and the purchase of securities abroad in large blocks have, of course, been regulated for some years by the Foreign Transactions Advisory Committee, but this is the first occasion on which any attempt has been made to check the export of capital by private individuals. While there is general agreement in the City that any rigid restrictions would be undesirable, some confusion was caused by the informal manner in which the new ban was announced and the lack of any precise and detailed indications of the Chancellor's wishes. It was assumed that there was no desire to put a complete stop to normal speculative and arbitrage business, and as the appeal was addressed over the heads of the financial institutions to the conscience of the private investor it appeared that Stock Exchange firms need only refrain from sending out positive recommendations to purchase foreign securities. On a later occasion, however, the Chancellor seemed to suggest that the City was expected to play a more active part in the enforcement of the ban, since he said that the Government's object could be achieved only with the co-operation of "those who advise and control private citizens' investments." He urged the various sections of the City to make an organised effort which would make it possible to avoid formal restrictions. In response to this appeal, Stock Exchange firms decided to suspend the quotation of American stocks in their circulars to clients, and later the Bank of England requested the banks to take the same course; while the authorities made a direct approach to one insurance company which had sent out circulars suggesting a transfer of funds to America in view of the unsettled state of Europe. At the same time, there would still appear to be no suggestion that financial houses should actually refuse facilities to intending purchasers of foreign securities, though it would seem that the very least they should do would be to direct their customers' attention to the Chancellor's statement.

A Halfway House

Up to the present the effectiveness of the new regulations has scarcely been tested, for the announcement was made—very properly—at a time when

little or no export of capital was taking place and when sterling was in fact very firm in view of the calmer political atmosphere. If at any time there should be a widespread desire to transfer capital abroad, it is clear that even the strictest control of security purchases would not suffice to prevent such a movement. If the present complete freedom of the exchange market were maintained, it would still be open to anybody to purchase foreign exchange in order to acquire securities in foreign markets. In any case, purchases of securities have formed the counterpart of less than one-fifth of the gold influx into America during the past few years—by far the greater part of the European capital which has made its way to America has been left idle in the form of bank deposits. Thus to prevent a really determined flight of capital it would be necessary to extend control from the purchase of securities to the purchase of foreign exchange in general, and probably still further to widen the regulations to include the control of export trade. Indeed, the area of control might well be extended, as in Germany, to embrace the whole of our commercial relations with the outside world. It is easy to see, therefore, why the Chancellor should have been reluctant to set up any formal machinery. Though the export of capital has not as yet been a pressing problem, there are obviously two strong motives for preventing it. On the one hand, rearmament must impose a definite strain on our balance of payments which ought not to be aggravated by an outward movement of domestic capital. On the other hand, it is undesirable that any part of the national savings should be placed abroad at a time when the country requires to borrow approximately £400,000,000 for rearmament.

Better Rail Traffics

Probably the best performance of the month has been given neither by gilt-edged nor industrials, but by home rails. Over the month there are some spectacular rises to show, Great Western ordinary, for example, having risen $10\frac{1}{2}$ points, or 40 per cent., to $35\frac{1}{2}$, while L.N.E.R. second preference show a similar percentage jump at $13\frac{3}{4}$. For this strong recovery a number of factors are responsible. The railways stand to gain as much as any industry from the general increase in business activity, while their earning position has been much improved by the economies effected last year. It would be out of the question for profits to recover to the point at which the railways would become liable to the proposed special taxation, and current talk of the conscription of wealth has given railway securities, particularly at their depressed levels, a special attraction. The actual market movement, however, found its direct incentive in the change-round in the trend of rail traffics. During the early months of the year these still showed a consistent fall on the year, as comparison was being made with the period before the industrial setback of 1938. Though there has been only

moderate improvement in the absolute trend, the weekly figures have suddenly taken on a more favourable complexion during the last month, as comparison is now being made with a period when returns had already fallen off. Thus the figures for the first three weeks of May showed "pluses" aggregating £485,000, of which coal and merchandise account for £475,000, passenger traffic having shown little revival. The rise in the stocks received some fresh stimulus from the publication of the findings of the Traffic Advisory Committee on the "square deal." The railways will not apparently obtain the complete freedom in fixing rates for which they asked, but fundamental changes are recommended from the system of charging in force for over a century, and if adopted by the Government the recommendations should improve the competitive position of the railways compared with other forms of transport.

IN PARLIAMENT

CIVIL DEFENCE—AIR-RAID SHELTERS (INCOME-TAX ASSESSMENTS)

Mr. H. G. Williams asked the Chancellor of the Exchequer whether expenditure on simply constructed trenches and sand-bag ramparts which is a deductible expense in computing trading profits for income-tax purposes will also apply to the type of trenches recommended as air-raid shelters in the provisional code issued by the Lord Privy Seal as a guidance to occupiers of factories under Clause 10 of the Civil Defence Bill?

Captain Crookshank: The question whether expenditure incurred by trading concerns on air-raid precautions is allowable as a deduction in computing profits for income-tax purposes is one for determination by the appropriate body of Income Tax Commissioners by reference to the facts of each particular case. While, as my right hon. Friend has previously stated, the Board of Inland Revenue, so far as they are concerned, would offer no objection to the allowance of expenditure on simply constructed trenches and sand-bag ramparts, trench shelters of the kind contemplated by the provisional code to which my hon. Friend refers would commonly involve expenditure which in the Board's view would fall to be regarded as capital expenditure.

AIR SERVICES APPROPRIATION ACCOUNT, 1937

Mr. E. Smith asked the Financial Secretary to the Treasury whether he will have issued a White Paper on the existing costing machinery employed by all Government Departments; will he state what steps have been taken to deal with the disclosures contained in the Air Services Appropriation Account, 1937; and is he satisfied with the costing and checking system of all Government Departments?

Captain Crookshank: In reply to the first part of the question, I do not think I can usefully add to the statements which have been made from time to time on the Government costing machinery. In reply to the second part, the Air Services Appropriation Account is being considered in the normal way by the Public Accounts Committee. In reply to the third part, I have no reason to doubt that in general the system employed (which is kept under constant review) is efficacious.

Points from Published Accounts

Imperial Chemical Industries Consolidation.—

The recommendation of the Stock Exchange Committee that consolidated balance sheets and profit and loss statements should be published by holding companies has been adopted by the largest British industrial company—Imperial Chemical Industries. The company produced a consolidated balance sheet for 1937, but in the latest year this has been supplemented by a consolidated income statement. These consolidated accounts have not been issued as an integral part of the report, but form a separate inset. The consolidated balance sheet is accompanied by an auditor's report, and its scope is clearly indicated in the heading which shows that it combines the assets and liabilities of Imperial Chemical Industries Limited and 125 subsidiary companies as at December 31, 1938. The consolidated income statement, on the other hand, bears no auditor's comment. From several aspects, the consolidated income statement is distinctly instructive. The company's own profit and loss account includes a credit for dividends received from subsidiary companies declared out of profits for 1938 (usually before providing obsolescence and depreciation), together with dividends from associated companies and income from investments, less provision for taxation borne by the company and for obsolescence and depreciation. This credit amounts to £7,061,291. The consolidated income statement, however, shows that the group's total revenue was £10,463,573, of which manufacturing and trading profits, less losses, amounted to £9,023,293; revenue from associated companies to £951,879; revenue from marketable and other securities to £321,135; the balance is made up from property and miscellaneous income. The debit side of the consolidated account includes several items which have hitherto appeared in the parent company's profit and loss account. For example, the obsolescence and depreciation charge shown in the parent company's accounts for 1937 amounted to £1,500,000. The same sum has been provided from the accounts of Imperial Chemical Industries Limited, together, however, with £588,682 provided directly by the subsidiary companies. Thus the total obsolescence charge is £2,088,682. Similarly, income tax and N.D.C., which absorbed £1,171,862 from the parent company's profits in 1937, involve a gross consolidated charge of £2,021,986, of which £1,507,548 will be recoverable from shareholders' dividends, leaving the net charge at £514,438. These comparisons appear to substantiate the directors' claim in the past years that no appreciable amounts of undisclosed earnings have been retained by the subsidiary companies. The consolidated income statement, unlike that of certain other companies, "breaks down" to the parent company's income as shown in its profit and loss account, for the net consolidated income amounts to £7,281,742, of which gross dividends paid to outside shareholders (£190,687) and retained profits of the subsidiary companies (£29,764) account for £220,451, leaving the parent company's net income, as published in its accounts, of £7,061,291. The reconciliation of consolidated earnings with the parent company's statutory figures is so advantageous

to the lay reader of the accounts that all holding companies might well adopt the practice.

Lever Bros. and Unilever Limited.—Every possible accounting problem must be known to the Lever Bros. and Unilever group, which consists of English and Dutch twin parent companies, and has some 400 manufacturing subsidiaries scattered all over the world. Superficially the accounts are complicated; but, considering the group's ramifications, they are, in fact, extremely illuminating, and they are accompanied by a comprehensive analysis in the directors' report. Owing to the linked dividend arrangements between the two companies, the shareholder in the British company requires a consolidated statement of profits for the entire group. The directors candidly face the point that, owing to a very large number of fluctuating currencies in which the group works, and to the unsettled conditions in certain countries, any figures expressed in sterling can only be regarded as approximate. But the various forms of consolidated statements which are provided are of unique accounting interest. They include a statement of aggregate net profits and their appropriation for the two companies in sterling (and for the parent companies, in sterling for the British, and in florins for the Dutch companies). No consolidated balance sheet is provided, and the statement of general reserves and profits carried forward applies only to the parent companies. On the other hand, consolidated figures for long-term claims and liabilities and current assets and liabilities provide full information regarding the trading and financial position of the entire group. The case of the Lever Bros. and Unilever group appears to be one in which consolidation of fixed assets would have very little practical significance. Indeed, the group's circumstances are such that, given a consolidation of aggregate net profits and working capital, the shareholder has information which is more readily usable than a necessarily arbitrary consolidation of fixed assets. The accounts themselves are too detailed to lend themselves to full analysis, but accounting students will appreciate their great ingenuity in providing shareholders with the fullest information—and in a form which suggests that the root and branch advocates of 100 per cent. consolidated profit and loss and balance sheets must accept defeat, in this case at least.

Marks & Spencer.—There is an interesting question of dating in the Marks & Spencer report and accounts for the year to March 31, 1939. The profit and loss account is described as referring to that year, but it carries a subjoined note that profits include the result of stores trading for 53 weeks to April 1, 1939. The balance sheet, moreover, contains a note to the effect that, for purposes of convenience, assets and liabilities relating to stores trading have been taken as at Saturday, April 1, 1939. This is, in fact, a continuation of previous practice, for the balance sheet as at March 31, 1938, included a similar note which showed that stores trading assets and liabilities had been taken as at

Saturday, March 26, 1938. The difficulties of completing physical stocktaking and the financial returns from a retailing group with 234 stores are appreciable, and presumably the group is compelled to finish the task over a week-end.

The financial position of the company, shown in the balance sheet, however, must necessarily be a composite of items struck to balance sheet date, together with the trading assets and liabilities taken at the most convenient week-end to that date. It may be asked, perhaps, whether any major objection would arise to varying the financial period in each year—and hence the balance

sheet date—to accord with the date upon which trading assets and liabilities, and to which trading profits, are computed. The substance of the change, doubtless, would not be great, and some objection might be raised on the ground that a regular balance sheet date provides a degree of convenience which broken up trading periods cannot do. There are, however, a certain number of instances of companies who make up their profit and loss accounts for 52 weeks and not calendar years, and compile their balance sheets to similar, but not identical, dates from year to year, according to the calendar incidence of the trading period.

Incorporated Accountants' Conference, 1939

An invitation has been extended to the Council of the Society of Incorporated Accountants by the President and Committee of the Nottingham, Derby and Lincoln District Society to hold a Conference of Incorporated Accountants in Nottingham on Wednesday, Thursday, Friday and Saturday, July 19, 20, 21 and 22, 1939.

The Conference will be held at University College, Nottingham, situated in beautiful parklands of 220 acres on the outskirts of Nottingham. This and the Halls of Residence have been placed at the disposal of the Secretary by the kindness of the Principal, Mr. H. A. S. Wortley, M.A., J.P., and the College Council. The College was erected through the munificence of the late Lord Trent (then Sir Jesse Boot, Bart.), who also gave the Park, and was opened by His Majesty King George V in 1928. The magnificent buildings occupy an extensive slope dominating an irregular lake of 16 acres studded with islands and fringed by timber.

Members and their ladies will be accommodated in the Halls of Residence adjacent to University College. These are the Hugh Stewart Hall, containing five double rooms and one hundred and ten single rooms, and the Florence Boot Hall, containing eighty single rooms. Both Halls are modern, comfortable and efficient, and each has a lounge and a dining-room.

Members wishing to live in the Halls are requested to make early application.

Some members may desire to reside in the Nottingham hotels, approximately two miles from University College, and should complete their application forms accordingly.

The following programme has been arranged:—

Wednesday, July 19

MORNING. Members and ladies assemble at University College.

- (1) 12.45 p.m. Informal Luncheon at University College, or hotels (own arrangements).

- (2) **AFTERNOON.** 3.15 p.m. Formal opening of Conference at University College, University Park, Nottingham.

(a) The Principal of University College, Mr. H. A. S. Wortley, M.A., J.P., will take the chair.

(b) The Right Worshipful the Lord Mayor of Nottingham, Alderman J. Baldwin, J.P., will welcome the members to Nottingham, and will formally open the Conference.

(c) The President of the Society of Incorporated Accountants, Mr. Percy Toothill, F.S.A.A., will reply.

(d) Vote of thanks to the Lord Mayor of Nottingham and to the Principal of the University College.

(e) Photograph at University College.

EVENING.

- (3) 6.45 p.m. dinner (own arrangements).

(4) Civic Reception by invitation of the Right Worshipful the Lord Mayor of Nottingham and the Lady Mayoress at the Council House, Nottingham, 8 to 8.30 p.m.
Dancing to 2 a.m.

Thursday, July 20

- (5) **MORNING.** 8.30 to 9.15 a.m.—Breakfast.

(6) Meeting—10 a.m. to 12.15 p.m. at University College, Nottingham.

(a) Address by the President of the Society of Incorporated Accountants.

(b) Paper by Mr. W. Norman Bubbs, F.S.A.A., London, on "The Accountant and the Community," followed by discussion.

(7) 12.45 p.m. Luncheon at University College by invitation of the Incorporated Accountants' District Society of Nottingham, Derby and Lincoln.

- (8) **AFTERNOON.** Visits to industrial works:—

(a) Players' Model Tobacco Factory;
or (b) Boots' Pure Drug Co. Factory;

or

Golf at Rushcliffe or Wollaton Golf Courses.

Motor-buses leave University College at 2.30 p.m., returning at 4.45 p.m.

- (9) EVENING. Banquet of the Society of Incorporated Accountants at University College.
7.0 p.m. Reception by the President of the Society of Incorporated Accountants and Mrs. Toothill.
7.30 p.m. The President will take the chair.

Friday, July 21

- (10) MORNING. 8.30 to 9.15 a.m.—Breakfast.
(11) Meeting—10 a.m. to 12 noon at University College.
(a) Paper by Mr. W. H. Fox, F.S.A.A., Northampton, on "The Accountant and the Individual," followed by discussion.
(b) Vote of thanks.

- (12) 12.45 p.m. Informal luncheon (own arrangements).
(13) AFTERNOON. Garden Party at Stanford Hall, near Loughborough, by kind invitation of Sir Julien Cahn, Bt., J.P., and Lady Cahn.

Motor-buses leave University College at 2.30 p.m. and return at 5.15 p.m.

EVENING.

- (14) 6.45 p.m. Informal dinner (own arrangements).
(15) 8 p.m. Reception and dance in the Great Hall, University College, by invitation of the members of the Nottingham, Derby and Lincoln District Society.
The President of the District Society and Mrs. Prior will receive members and guests at 8 p.m.

Saturday, July 22

- (16) MORNING. 8.30 to 9.15 a.m.—Breakfast.
(17) Visit to Welbeck Abbey, near Worksop, by kind permission of His Grace the Duke of Portland, K.G.

Buses leave University College 10 a.m.
Coffee at Hop Pole, Ollerton.
Arrive Welbeck 12.15 p.m.
Luncheon in marquees 12.45 p.m.
Leave Welbeck 2.30 p.m.
Arrive Nottingham 4 p.m. and disperse.

Suggestions :

- (a) The Palace Hotel, Buxton.
(b) The Peacock Inn, Rowley, for fishing.
(c) Woodhall Spa, for golf.

NOTES

It is hoped that Incorporated Accountants will be accompanied by their ladies, who are invited to attend the functions and meetings.

A handbook containing a map of Nottingham and some descriptive notes will be issued to members attending the Conference.

Applications should reach the Secretary at Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2, not later than Saturday, June 17th, 1939.

ACCOMMODATION

HALLS OF RESIDENCE,
UNIVERSITY COLLEGE, NOTTINGHAM

HALLS :

Hugh Stewart Hall.
Florence Boot Hall.

CHARGES :

| | |
|-----------------------|--------------|
| Bed and Breakfast ... | 9s. each |
| Lunch | 3s. 6d. each |
| Tea | 1s. each |
| Dinner | 4s. 6d. each |

Items for which members wish to put down their names should be indicated separately, but for information the following note of total charges is given for those who will reside in the College.

The total charge per person from Wednesday morning, July 19 (including lunch), to Saturday afternoon, July 22, inclusive of residence in College, all meals (excepting tea), the Society's dinner and visit to Welbeck is £3 19s. 6d., exclusive of transport.

Transport for those resident in College and not using their own cars is 6s. per head extra, and for those resident in hotels, 7s. per head.

Members are requested to reserve hotel accommodation direct with the hotel.

SCOTTISH NOTE

A Creditor's Right to Interest

The case of *Braid v. Mactaggart and Meikle* (1939) raised an important point with regard to a creditor's right to interest.

Braid was a tenant with the defenders and on entering deposited £1 with them in terms of the conditions of let, that sum to be refunded on his quitting the house provided certain items were left in good order. On leaving three years later he claimed interest, but the landlords contended that, as interest was not mentioned, no interest was demandable and that all that the tenant could claim on quitting was the principal sum of £1, less diminution for defects.

The Sheriff-Substitute, regarding the matter as one of contract, held that the tenant had no right to interest. On appeal, the Sheriff-Principal was of opinion that the onus was on the defenders to show some just reason why interest should not be payable and held that the pursuer was entitled to interest.

On the general question of a creditor's right to interest the law as stated in the case of *Blair's Trustees v. Payne* (1884) was quoted : " Nothing can be conceived less amenable to a settled general principle than our law upon a creditor's right to interest. Interest upon bills and notes is settled by statute : that on bonds by express contract ; that on loans by legal implication. But when this has been said, almost all that has been fixed is presented. We must bear in mind that every liquid debt past due does not bear interest. Feu-duties, ground annuals and rents are cases in point where payment of interest has not been made matter of express obligation. Why this should be so is not clear. Probably the reason is that if it had been intended that interest should run, that would have been introduced into the contract."

Though the amount in this case was small it was important in that it ruled similar cases in housing schemes involving at least 5,000 tenants.

STUDENTS**Examination Questions****By W. J. BACK, Incorporated Accountant*

The subjects of examination may, I think, for my purposes at any rate, broadly be divided into three. There are first of all accounts and their audit, then the law subjects, and thirdly those subjects that deal with one's general knowledge—not only the paper called by that name, but economics and statistical methods. I want to say a few things about each of those.

First of all, it is not necessary to say very much about accounts, because it is quite obvious that we are all, first and foremost, accountants, and if we have not a good knowledge of bookkeeping and accounting in all its branches nothing we may do in the way of legal or other study will ever make up for that deficiency. We must have a firm grasp of principles and be able to apply them to the various businesses that do, from time to time, come under our notice. There is, I know, the special case of executorship and trusts, but apart from that the student who has really mastered the principles of bookkeeping should not find great difficulty with the accounting questions in the examination papers.

Then there are the auditing questions and auditing papers which call for evidence not only that the textbooks have been carefully read but also that time and thought has been given to the work of the office and it has not been done mechanically; that the "reason why" of the work done has been thought out and one is able to answer why. Many of the questions that come under the head of auditing are very practical questions that arise immediately out of one's daily work.

Suppose, for example, we look at the auditing paper in the May Final, we find such questions as this: "Is a Company obliged to depreciate its fixed assets before ascertaining its profits available for dividend?" That question is easily answerable by those who have read the cases and the rules in the books about the depreciation on fixed assets and about profits available for dividend; and the question enables you to show you have done so.

Then you pass down to question No. 3, where you are asked "what measures should be adopted by a firm of manufacturers with a view to preventing the inclusion of dummy workmen in its pay roll?" There is nothing more practical and nothing more easily within the reach of a student who has dealt in practice with the auditing of pay rolls and who

has really thought about the possibilities of fraud and the methods that ought to be adopted to defeat them.

We next pass to the law questions and one of the features of those questions you will notice in our examinations, if you read them through over a series of years, is that they are placed from a practical standpoint and it follows, therefore, that commonsense in dealing with the questions is far more important than students are sometimes inclined to think. You must, of course, have a knowledge of the subject, but you must equally exercise commonsense, and in many cases the exercise of plain commonsense would save students from quite a fair number of follies into which they step in the course of their work.

For example, the Mercantile Law section in the present Final paper has questions like this: "Distinguish between joint and several liability in contracts." Now, whether you are thinking of a partnership, into which you may yourself one day enter, whether you are thinking of bills of exchange, or a whole series of other things, the question of joint and several liability comes up, and you do need, not as a matter of technique but as a matter of real practical experience, to be able to understand that differentiation and be able to apply it.

Another question is, "What is meant by 'a firm' and "in what circumstances may a firm adopt the name of John Jones & Company?" It does not say so, but it is quite obvious that what the examiner is saying to you is, "Do you happen to know of the Registration of Business Names Act, and what do you know about it?" He does not state the name of the Act, of course, but the question quite clearly asks you just the kind of thing any client starting in business might ask you—what has he got to do in order to start in business as, let us say, John Jones and Co? It is a thoroughly practical question that requires a knowledge of the law relevant to the subject, and asks for that knowledge in a way that you need to know it yourself in order to be able to practise in the profession.

Then there is a second type of the questions set in law, and that is to cite for you a problem and ask you to apply the principles of law that you have learnt to that problem and give the answer. Again let me read to you one of the questions in the May examination.

This is taken from the Intermediate paper this time,

* A summary of an Address given before the Students' Society of London and District.

and you are asked about offers. "'A' writes to 'B' informing him that he has a motor-car for sale, and states: 'I would suggest a price of not less than £200.' 'B' replies: 'I accept your offer and enclose cheque for £200.' Whilst 'B's' reply is in the post, 'A' agrees to sell the car to 'C' for £190. What rights have 'A,' 'B' and 'C'?"

That is the simplest form of application of the old question about offer and acceptance that you could possibly wish for. You know what an offer is, and immediately you look at the question you see that "A" did not, in fact, make an offer. He says, "I would suggest a price of not less than £200." That is not an offer but an invitation to the other to make an offer. Therefore when "B" replies, "I accept your offer," he is accepting something which has not been made. Consequently the answer to the question is that "C" has bought the motor-car and is entitled to it. The other did not accept an offer although he thought he had, and therefore no damage has been done to him and he has no redress because he has suffered no wrong. The examiner does not especially want to know that you remember the names of the particular cases, but he does want to know that you understand the principles of law so that you may apply them to those matters that arise from time to time in the course of your practice; and this question might arise.

Then we come down to the third class, the general knowledge questions. I suppose that is the most difficult subject in the syllabus from the point of view of the coach and the examinee. It is almost impossible to "cram" general knowledge. The scope is so wide that you do not know what questions you may be called upon to answer. Almost anything might be brought within its range. That is of value for the examiner because it enables him, as no other subject in the syllabus does, to test the value of your experience and whether you have gained that knowledge from your experience and from the reading of the daily press, financial papers and that kind of thing, that you ought to have gained. The syllabus itself does not give you a great deal of guidance, but if you examine the questions over a series of years it will give you the examiners' interpretations of the subject and you will find that, broadly, the questions that are set in the form of general knowledge may be classified under these heads.

There are, first of all, questions of company practice—the formation of companies, the finance and the capital structure of companies and questions arising out of this, such as public issues of capital. One of the most valuable and useful means of studying that is to get hold of a few of the prospectuses issued when companies make an offer of capital to the public and study them with care. You may be quite sure that those documents have been drawn up by solicitors and accountants with the greatest care. You will

obtain a very interesting and valuable introduction to many of the principles and practices of company law, if you will only study those prospectuses and offers for sale in detail.

Then there are questions that may be grouped under the head of banking practice—bills of exchange, foreign exchange and questions of that nature. There are questions relating to Stock Exchange and finance—Stock Exchange practice in general—and for that you can do no better than obtain and read Sir Stephen Killik's little book on the Stock Exchange. It costs only 1s. and it is the most valuable and useful book on Stock Exchange procedure that you can get anywhere. It is called "The Work of the Stock Exchange."

Then there remain a number of questions that may be described as general, in that they have to do with those advisory services that accountants render to their clients. They are such questions as those relating to the Registration of Business Names Act, questions relating to filing systems and questions relating to mechanisation in accounting. In a recent case the question was on the organisation of an accountant's office, what you do with time sheets and diaries, and why they are necessary, giving you a chance to tell the examiner that you do not approve of diaries and you think something else would be much better, if that should happen to be the case.

The paper also brings in a few questions on general taxation, such as the possibility of sur-tax assessment on companies, and so on. So you see how wide the subject is and also how easily it is covered by practical experience, a broad reading of general and financial newspapers and the collecting of information easily available in a professional office, and how excellently it serves the purpose of the examiner in testing whether or not you have that kind of knowledge that comes by experience and is essential if a man is going to practise accountancy with credit to himself and to the Society to which he belongs.

There are other subjects that I regard as subdivisions almost of general knowledge—economics and statistics. The economics papers are quite obviously set not by an academic examiner but by a man engaged in commercial practice himself.

We know, of course, that is the case, but you might deduce it quite easily from reading the papers and laying them alongside the kind of examination papers in economics set to academic students. You would discover the difference at once.

It has, indeed, often been the case that many of the questions in the economics paper could be answered from experience and knowledge (providing you knew the meaning of the terms) without studying the specialised textbooks. It does call for thought about practical experience in business and the progress of economic thought and study in recent

years has been towards the amplification of Marshall's definition which, in effect, is that economics is the study of mankind engaged in earning its living. That is to say, it is the science of business.

When you come to take up the examination papers in economics you find questions like this: "Discuss the forces which facilitate or impede the distribution of workers between various occupations." That is a matter about which you can do your own thinking. You know that the cause of distribution between various occupations is what economists call the division of labour; that the principle of specialisation and expertness in particular things is the main reason why it is difficult for people to change from one occupation to another, once they are well settled in it; and that the relative rates of remuneration, taken together with the cost and the length of time it takes to become prepared for that occupation, are among the leading reasons which determine how many folk enter into it.

You can think of what attracts them to particular professions. I suppose most people who go to the Bar do so because they have heard of the glittering prizes that are to be won at the top. In other words, the folk who go to the Bar are the people who think they have the kind of brains that can pick up the prizes that Sir John Simon and others have picked up; but by the time they are twenty years older many of them have discovered that they have not, after all, that kind of brain. On the other hand, a man whose ideas of his own ability are less exalted—one not looking for big prizes but who wants a steadier life—would choose either accountancy, the medical profession or something like that. (Laughter.)

At any rate, those suggestions will immediately indicate to you that the question of the things which facilitate or impede the distribution of workers between various occupations is very far from being a technical question in economics but is a good deal more of a practical question that is capable of being thought out.

Here is another one. A quotation from a book is given which says: "There is no fundamental difference between the factors governing the price of land and the price of old china," and you are asked whether that is true and to discuss it. Immediately you think about that you will realise just what the examiner is getting at, without your having done anything more than exercise your own mind upon the matter. The feature that is common to both those two things is that the supply is fixed. You cannot increase the quantity of land; it is in the world already. Nor can you increase the quantity of old china, because, of course, the examiner assumes that you are not going to fake the china. Land and old china are therefore alike in that the quantity available is fixed and the factors that determine their

price and other questions relating to them are those which come from the demand side.

What are the factors on the demand side that differ? Immediately you have the answer. Old china has but one use; land is a productive factor and it has a number of alternative uses. Moreover new uses may arise for land but new uses can scarcely arise for old china. So you have the chief things before your mind and are ready to talk about them in answering that particular question.

There is another question, if I may go on to one or two in that paper, because economics does seem to be the subject that frightens students, and I do not know why. This question asks: "In what ways and in what degree does heavy taxation in a modern community affect the volume and nature of production?" Nothing could be more appropriate for an accountancy student to think about than what would happen if income tax were 19s. 6d. in the £ instead of 5s. 6d., or conversely what effect it would have if it were reduced to 6d. in the £. Obviously it would increase or decrease the incentive and the capacity to save and so the quantity of capital would be immediately affected. You will also very easily think of other factors involved—not least in importance being the use to which the Government put the proceeds of the taxation.

Then there is a question which invites you to discuss current politics, if you like. It says: "'The growing tendency towards the regulation of industry by the State through enabling Acts, selling schemes, marketing boards, commodity commissions, restriction schemes, represents a grave economic danger.' What is your view of such measures?" You know how the regulation of industry by planning schemes has come to its apex in Russia and is not far from its apex in Germany, and you know what has been happening in this country and how State regulation in one form or another has developed in recent years, and you are invited to state your views on the matter. The examiner could not be more kind to you than to throw a political question like that at your heads and say: "Tell us what your views are and the reasons why."

That leads us to "statistical methods," which is a purely technical and academic subject. There is nothing for it but to learn the textbooks and the mathematical formulæ and be prepared to deal with them.

May I say just one or two words as to the methods which you should adopt in examinations? It seems to me the best thing to do is to start by reading the paper right through so as to get an idea of what the whole thing is about. There are some students who find it best to start right at the beginning and slog patiently and deliberately through the questions set, dealing with them one by one. My own impression is that there are not many of those students and that

most students would be well advised to answer the questions they think they know most about first and get something well done. As far as the later questions are concerned, there is a great steadying influence in knowing that you have some questions answered and feeling pretty satisfied that they are well answered. It makes no difference to the examiner, because he, in all cases, will deal with question No. 1 in all the papers and then with No. 2, so he will not mind in which order you answer them provided you put the right number against them.

But there is nothing more irritating—and I speak as an examiner, not of the Society's papers but of some others—than to get your papers in order when you are dealing with, say, question No. 3, and to read a long paragraph purporting to deal with question No. 3 in somebody's paper, and to say, "What on earth has that to do with it?" and then to find that he has put the wrong number to it. You have to search his paper and probably find that he has got the answer to No. 3 as the answer to No. 4. A student who does that kind of thing is asking for trouble and will very likely get it.

While I am on that matter may I say this, too? It is a perfectly obvious thing but one that is not always remembered. The answers to examination papers are meant to be read. Writing twenty, thirty or forty years ago was a great deal better than it is now. I do not know whether that is due to the coming of typewriters or what it is, but juniors to-day cannot write, and if they do write it their writing is exceedingly difficult to read. If you spend a lot of time answering the first question you tackle and then have to rush over the last questions so that nobody can read what you have got down, what do you expect the examiner to do? I have been in the position of having a page answer to a question and endeavouring for a quarter of an hour to read it, and then giving it up in despair. If you write an answer which the examiner cannot read, it is exceedingly improbable that you will get any marks for it. He might give you one for making the attempt but that is about all.

One does hear about luck in an examination and I suppose there is such a thing. I suppose that when we do selective tests in our vouching we may possibly choose all those things for which there are satisfactory vouchers and miss all those things for which there are none; but I think it is unlikely. Similarly, the examiner may ask questions the answers to which are the only ones you know, or he may land on the only questions on the textbooks to which you do not know the answers; but, again, it is exceedingly unlikely. I think, therefore, that the place which luck is supposed to take in examinations is greatly exaggerated. If you know the subject and can express yourself you will pass; but if you do not know the subject and cannot express yourself you will fail—and you ought to fail.

MILITARY SERVICE

The following resolutions were adopted by the Council of the Society of Incorporated Accountants at its meeting held on May 18:

RESOLVED:

Articled Clerks

(a) That the Council, having considered the position of articled clerks who will be called up for six months' service with H.M. Forces under the Military Training Bill, will recognise the period of such military service as service under articles of clerkship provided the military service is carried out during the normal currency of the period of articles. Further, that the Examination and Membership Committee be allowed discretion to vary the date upon which an articled clerk may be allowed to sit for the Intermediate Examination or for the Final Examination.

Special Bye-Law Candidates

(b) That the Council similarly approves that the period of six months' military service under the Military Training Bill be allowed to count towards the periods of professional service required by the special bye-laws, provided the Examination and Membership Committee are satisfied that such military service causes a break in what would normally have been a continuous period of professional service. Further, that the Examination and Membership Committee be allowed discretion to vary the date upon which a candidate may be allowed to sit for the Intermediate Examination or for the Final Examination.

Examinations

(c) That the Council further determines that the standard of the Society's diploma should be maintained and that no relaxation be made in the standard of the Examinations by reason of candidates being required to serve with H.M. Forces.

(d) That the Council gives discretion to the Examination and Membership Committee to deal with any questions in regard to service either under articles or under special bye-laws, and in regard to admission to the Examinations so far as clerks who have served in H.M. Forces are concerned.

May 18, 1939.

RECENT LEGAL CASES

The following recent legal cases are dealt with in this issue:—

| Case. | Page |
|--|------|
| <i>Nokes v. Doncaster Amalgamated Collieries, Ltd.</i> | 330 |
| <i>Re a Debtor (23 of 1939)</i> | 330 |
| <i>In the estate of Saxton: Barclays Bank, Ltd. v. Treasury Solicitor</i> | 331 |
| <i>Re Johnson: Public Trustee v. Calvert</i> | 331 |
| <i>Greenwood v. Greenwood and Others</i> | 332 |
| <i>Braid v. Mactaggart and Meikle</i> | 339 |

PUBLICATIONS**The Month's Publications**

Murray and Carter's Guide to Income Tax Practice. 14th edition by R. N. Carter and H. Edwards. (Gee & Co. (Publishers), Ltd., London. Price £2 net.)

This classic work has been revised and issued in a fourteenth edition "in view of the extensive enactments contained in the Finance Acts, 1936 to 1938." Since the previous edition was published in 1936 "all changes of practice which have come to the authors' knowledge have been noted with some reference to the report of the Codification Committee." So much new material has been introduced that the subject matter of the treatise now covers 956 pages, while tables of statutes and cases and an enlarged index occupy a further 203 pages. As in former issues, particular care has been given to case law, every new case having been inserted at the appropriate place with cross references to other decisions on similar points.

A great convenience in the former edition was the method of inserting, at the head of each page, a caption indicating the nature of the contents of the page and the absence of any such assistance in the present edition is a distinct disadvantage.

The subject of National Defence Contribution is excluded from the purview of the book.

In the section dealing with Schedule A, which has been wholly recast, attention is drawn to various decided cases affecting the rights as between tenant and landlord in respect of the recovery of Schedule A tax paid on behalf of the latter but collected by the Crown from the former.

The manifold ramifications of Schedule D are amply illustrated by working examples coupled with numerous quotations from court judgments and frequent reference to the publications, *Taxation* and *The Accountant Tax Supplement*, while such matters as erroneous and false returns, back duty limitations and penalties, liability of administrators and executors under the application of the Law Reform (Miscellaneous Provisions) Act, 1934, revocable trusts, and sur-tax assessments all receive special attention in the respective sections. The habitual user will find that, apart from the purely legal point of view, there is scarcely a case of practical difficulty on which a reference to the treatise will not set him right.

Pitman's Commercial Law. By J. A. Slater, B.A., LL.B. 12th edition by R. H. Code Holland, B.A. (Sir Isaac Pitman & Sons, Ltd. Price 3s. 6d. net.)

A thoroughly revised edition of this popular introduction to the study of commercial law was needed.

Mr. Holland has overhauled and partly re-written the text. Recent cases and new statutes (for example, the Hire-Purchase Act, 1938) have been carefully noted and new sections added. The student will find within a remarkably short compass a clear guide to the various branches of commercial law. It serves as a preliminary text book and makes an invaluable summary for purposes of revision. Its scope includes bankruptcy practice.

Particularly good are the short sections on cheques, promissory notes and bills of exchange, and on the carriage of goods; another section contains a lucid explanation of various types of securities, including mortgages and bills of sale. Here, as throughout the book, the chief merit is lucid exposition of legal principles by an experienced teacher of law.

Other useful features are the facsimile documents, including a charter party and a bill of lading, which accountancy students would do well to peruse. Each chapter ends with a short list of authorities recommended for further study. We would suggest that, in the next edition, Topham's *Principles of Company Law* and either Chalmers' *Digest of the Law of Bills of Exchange* or Jacobs' *on Bills of Exchange* be included in the appropriate chapters. A revised and extended index (for example, "bailment," ought to appear) would enhance the utility of this reliable students' guide.

BOOKS RECEIVED

"Taxation" Key to Income Tax, Sur-tax and National Defence Contribution. Fifth edition. (Taxation Publishing Co., Ltd., London. Price 3s. 6d. net.)

Pitman's Handbook of Commercial and Technical Education. Edited by Harold Downs. 1939. (Sir Isaac Pitman & Sons, Ltd., London. Price 15s. net.)

Germany's Bid for Self-Sufficiency. Reprinted from The "Financial Times." (The "Financial Times," London. Price 2d. net.)

Trustee Savings Banks Year Book, 1939. (Wyman and Sons, Ltd., Fakenham. Price 3s. 6d. net.)

Cost Accounting. Principles and Practice. By John J. W. Neuner, Ph.D., C.P.A. (Business Publications, Inc., Chicago. Price \$4.00 net.) (To be reviewed.)

What's Wrong with the Economic System? By A. W. Knight. (Longmans, Green & Co., Ltd., London. Price 8s. 6d. net.) (To be reviewed.)

The usual page of statistics and specimen accounts of The Incorporated Accountants' Research Committee are held over until next month.

Society of Incorporated Accountants

Fifty-fourth Annual Report.

The Council has pleasure in submitting to the Members its Fifty-fourth Annual Report and the Accounts of the Society for the year 1938.

New Members and Associates advanced to Fellows.

During the year 1938, 388 new Members were admitted to the Society, and 45 Associates were advanced to Fellowship, as follows:—

| NEW MEMBERS | | | | ASSOCIATES |
|---------------------|----|----|----|------------|
| England and Wales | .. | .. | .. | 322 |
| Scotland | .. | .. | .. | 6 |
| Ireland | .. | .. | .. | 7 |
| Isle of Man | .. | .. | .. | 1 |
| India | .. | .. | .. | 13 |
| South Africa | .. | .. | .. | 37 |
| Straits Settlements | .. | .. | .. | 1 |
| United States | .. | .. | .. | 1 |
| Total | .. | .. | .. | 388 |

| ASSOCIATES ADVANCED TO FELLOWSHIP | | | | |
|-----------------------------------|----|----|----|-----------|
| England and Wales | .. | .. | .. | 32 |
| Scotland | .. | .. | .. | 6 |
| Ireland | .. | .. | .. | 2 |
| Isle of Man | .. | .. | .. | 1 |
| South Africa | .. | .. | .. | 2 |
| United States | .. | .. | .. | 1 |
| West Africa | .. | .. | .. | 1 |
| | | | | 45 |

The figures for the past three years are:—

| | 1936. | 1937. | 1938. |
|--------------------------------|-------|-------|-------|
| New Members | 357 | 392 | 388 |
| Associates advanced to Fellows | 50 | 47 | 45 |

Total Membership.

The total number of Members on December 31, 1938, was 7,509, and consisted of 1,518 Fellows, 5,988 Associates, and 3 Honorary Members.

The figures for the past three years are:—

| | 1936. | 1937. | 1938. |
|--------------|--------------|--------------|--------------|
| Fellows | 1,487 | 1,507 | 1,518 |
| Associates | 5,418 | 5,706 | 5,988 |
| Hon. Members | 3 | 3 | 3 |
| | 6,908 | 7,216 | 7,509 |

Obituary.

During the year 1938 notification of the deaths of 56 Members (29 Fellows and 27 Associates) was received with regret.

It is with regret that the Council records the death of Sir Stephen Killik, G.C.B., K.C.V.O., a Fellow and Honorary Member of the Society. Sir Stephen Killik was Lord Mayor of London in the year 1934-35, the year of the Silver Jubilee of His Majesty the late King George V. In his capacity as Lord Mayor, Sir Stephen received the members of the Society at the Mansion House on the occasion of the Society's Fiftieth Anniversary. For a period of five years Sir Stephen was

President of the Incorporated Accountants Students' Society of London.

The Council also regrets the death of Mr. Tom Coombs, J.P., of Leeds, a member of the Council. The late Mr. Coombs was Lord Mayor of Leeds in the year 1936-37.

President and Vice-President.

After the Annual General Meeting of the Society held in May, 1938, Mr. Walter Holman, London, and Mr. Percy Toothill, Sheffield, were re-elected President and Vice-President respectively.

Examinations.

The number of Candidates at the Preliminary, Intermediate and Final Examinations was 1,758, of whom 821 passed and 937 failed.

The following are the comparative figures for the past three years:—

| Year. | FINAL | | | INTERMEDIATE | | | PRELIMINARY | | |
|--------------|-------------------|--------------|--------------|-------------------|--------------|--------------|-------------------|------------|------------|
| | No. of Candidates | Passed | Failed | No. of Candidates | Passed | Failed | No. of Candidates | Passed | Failed |
| 1936 | 753 | 49% | 51% | 927 | 49% | 51% | 237 | 47% | 53% |
| 1937 | 780 | 45% | 55% | 796 | 45% | 55% | 265 | 58% | 42% |
| 1938 | 770 | 48% | 52% | 725 | 46% | 54% | 263 | 47% | 53% |
| Total | 2,303 | 1,087 | 1,216 | 2,448 | 1,139 | 1,309 | 765 | 388 | 377 |
| | | 47% | 53% | | 46% | 54% | | 51% | 49% |

Prizes and Honours Certificates.

Prizes and Honours Certificates were awarded to the following Candidates:—

FINAL EXAMINATION.

- 1st Certificates of Merit.
Curtis, Roger David, London (*Prize*) May, 1938
Moody, Arthur, Ashton-in-Makerfield (*Prize*) November, 1938
- 2nd Certificates of Merit.
Lovick, John Henry, London May, 1938
Brightwell, Philip George (*Prize*) November, 1938
- 3rd Certificates of Merit.
Grindrod, Fred Schofield, Enfield May, 1938
Ingram, John Kevin Patrick, Dublin (*Prize*) November, 1938
- 4th Certificates of Merit.
Marsh, Norman, Wolverhampton May, 1938
{ Hillan, James Joseph Gerard, Belfast November, 1938
{ Wooldridge, Arnold Leonard, Swansea November, 1938
- 5th Certificate of Merit.
Goodall, Leonard Sydney, Fareham May, 1938
- 6th Certificates of Merit.
Johnson, Peter Norman, London May, 1938
Shackcloth, Harold, London November, 1938

INTERMEDIATE EXAMINATION.

- 1st Place Certificates.
Howe, Leonard Chapman, London (*Prize*) May, 1938
*Davis, Richard, Birmingham November, 1938
*Disqualified for prize by age limit.
- 2nd Place Certificates.
Stewart, John Alexander, Glasgow (*Prize*) May, 1938
Shipton, Eric James Ernest, London (*Prize*) November, 1938
- 3rd Place Certificates.
Rodgers, John Alfred, Croydon May, 1938
Minter, Walter Harold, Brighton (*Prize*) November, 1938
- 4th Place Certificates.
{ Brown, Douglas Brodie, London November, 1938
{ Owen, Jack, West Bromwich November, 1938
- 6th Place Certificate.
Allen, George Henry Thomas, Liverpool November, 1938

PRELIMINARY EXAMINATION.

1st Place Certificates,
Corbin, Geoffrey Arthur, London (*Prize*) May, 1938
Caiger, Eric Percy, Harrow (*Prize*) November, 1933

Gold and Silver Medals.

The Society's Gold Medal for 1938 was awarded to Mr. Arthur Moody, Ashton-in-Makerfield, who was placed first in order of merit in the Final Examination in November, 1938.

A Silver Medal was awarded to Mr. Roger David Curtis, London, who was placed first in May, 1938.

Sir James Martin Memorial Exhibition.

The following awards of the Sir James Martin Memorial Exhibition were made in respect of the Intermediate Examination:

May, 1938—

Leonard Chapman Howe, Articled Clerk to Mr. Walter P. Thomas, A.S.A.A., London.

November, 1938—

Douglas Brodie Brown, Articled Clerk to Mr. A. T. Keens, F.S.A.A., London.

National Service.

The Minister of Labour in conjunction with the Lord Privy Seal requested the bodies of Accountants in Great Britain to form a register of accountants, who would be willing to offer their services to the State in the event of an emergency, except in so far as they are then engaged on work of greater importance from the point of view of National Defence.

A communication was issued to members by the President with an appropriate questionnaire, and the Register has been constituted. Upwards of 3,450 questionnaires have been completed.

The Minister has set up an Advisory Council in connection with the Central Register of persons having professional, scientific and technical qualifications. The Chairman of the Advisory Council is Sir Walter Moberly, D.S.O., M.A., Litt.D., and Mr. C. J. G. Palmour, President of the Institute of Chartered Accountants, has been elected as the representative of the Accountancy profession.

Incorporated Accountants' Course, Oxford, 1938

Following the previous Courses at Cambridge, a further Course for younger members of the Society was held at New College, Oxford (by kind permission of the Warden and Fellows), from July 13 to July 17. Mr. Walter Holman, President of the Society, presided, and the Course was well attended. The members derived much advantage from the consideration of a number of topical professional questions.

The members of the Course entertained at dinner the Pro-Vice-Chancellor (The Master of Wadham College), the Warden of New College (The Right Hon. H. A. L. Fisher, O.M., F.R.S.), and other members of the University.

The thanks of the Society were communicated to the Warden and Fellows for the facilities enjoyed by the members at New College.

Fifth International Congress on Accounting, Berlin, 1938.

The Fifth International Congress on Accounting was held in Berlin in September, 1938. The President was Herr Dr. Otto Monckmeier, the Deputy President Herr

Dr. Wilhelm Voss, and the Secretary Herr Wilhelm Jaeger.

A delegation of representatives of the Accountancy Profession in Great Britain participated in the proceedings. The representatives of the Society were Mr. Walter Holman (President), Mr. Percy Toothill (Vice-President), Mr. E. Cassleton Elliott, Mr. R. Wilson Bartlett, Mr. A. Stuart Allen and Mr. A. A. Garrett (Secretary).

Mr. A. Stuart Allen contributed a General Paper on "Auditing by and for Tax Authorities," Mr. E. Cassleton Elliott a National Paper on "Other Auditing and Advisory Work," and Mr. Richard A. Witty a National Paper on "The Audit of Annual Accounts."

A Resolution of thanks from the Council of the Society was forwarded to Herr Dr. Hans Frank, Reich Minister, for the entertainment afforded by the German Government, and to the President, Deputy President, Committee and Secretary of the Congress for the arrangements made and for the hospitality extended to the Society's representatives.

"Accountancy."

A Committee of the Council had under review the reorganisation of the Incorporated Accountants' Journal, which had been the official organ of the Society since 1889. As from October, 1938, the publication has been issued in a new form under the title of ACCOUNTANCY (*the Journal of Incorporated Accountants*) and there has been a substantial increase in the number of subscribers.

Mr. William Strachan, who had been the Editor of Incorporated Accountants' Journal for a number of years and had been associated with the publication since its inception, relinquished the Editorship of the Journal, and the Council recorded its thanks to him for his long and able services.

Mr. L. T. Little, the Deputy Secretary of the Society, has been appointed Editor of ACCOUNTANCY.

The Society's Examinations.

Upon the advice of the Board of Examiners, a revised Syllabus, to come into force in May, 1940, was adopted by the Council. There has been a reorganisation of the titles of the papers, and further details have been issued as to the general scope of the Examinations under the respective headings.

British Dominions.

A Bill for the Registration of the profession in South Africa was introduced into the Legislative Assembly of the Union of South Africa. The Society has been in friendly communication through its South African Committees with the bodies of Accountants established in the Union of South Africa, by whom the Bill was promoted. The Bill is being considered in Select Committee and has not yet been passed.

The Advisory Council, consisting of the Chairmen and Honorary Secretaries of the Society's South African Committees, met in February, 1938, and discussed the affairs of the Society in South Africa.

The Council of the Society has formally expressed its thanks and appreciation to the Advisory Council and to the three Committees in South Africa for their action and advice.

Mr. W. J. O'Brien, O.B.E., J.P., a member of the Society's South African (Eastern) Committee, has been

elected a member of the Senate of the Union of South Africa.

Communication has been maintained with Committees of the Society in other British Dominions.

Institute of Chartered Accountants in Ireland.

In response to the invitation of the Institute of Chartered Accountants in Ireland the President of the Society attended the Fiftieth Anniversary Celebrations held in Dublin in May, 1938. A Resolution of congratulation from the Council of the Society was forwarded to the Irish Institute.

The Stock Exchange.

At the invitation of the General Purposes Committee of the Stock Exchange, representatives of the Institute of Chartered Accountants and of the Society of Incorporated Accountants and of other bodies conferred with a Sub-Committee of the Stock Exchange General Purposes Committee to discuss certain technical questions.

Prevention of Fraud (Investments) Bill.

Consideration was given to certain clauses in this Bill, and the views of the Council were submitted to the Board of Trade.

The Right Hon. Lord Stamp, G.C.B., G.B.E.

A communication was forwarded to the Right Hon. Lord Stamp, G.C.B., G.B.E., an Honorary Member of the Society, offering him the congratulations of the Society upon his elevation to the Peerage by His Majesty the King, and the London members entertained Lord Stamp at dinner.

London Chamber of Commerce.

Mr. Henry Morgan has been elected Chairman of the Council of the London Chamber of Commerce. Mr. Morgan represents the Society on the Council of that body.

Hops Reorganisation Commission.

In response to a request from the Minister of Agriculture, a memorandum was submitted on behalf of the Society to the Hops Reorganisation Commission which reviewed the working of the Hops Quota imposed in 1934.

International Congress on Scientific Management.

The International Congress on Scientific Management invited the Society to be represented at this Congress, which was held in Washington in September, 1938, and the Society's representative was Mr. Richard A. Witty.

Incorporated Accountants' Conference, Nottingham, 1939.

The Council has accepted an invitation from the Nottingham, Derby and Lincoln District Society to hold a Conference in Nottingham from July 19 to July 22. By kind permission of the Governing Body, the Conference will be held in University College, Nottingham.

Branches and District Societies.

A conference between members of the Council and representatives of Branches and District Societies was held in May. Two representatives of the Society's South African (Northern) Committee, Johannesburg, were present on that occasion.

The activities of the Branches and District Societies have been well maintained during the year.

University of London.

The Council contributed the sum of £157 10s. to the endowment fund for the School of Business Administration at the London School of Economics and Political Science.

Members will be asked to pass a Resolution confirming the Council's action.

Research Committee.

The Society's Research Committee has given extended consideration to the subject of Mechanised Accounting Systems and the audit thereof and has made further progress with the preparation of a treatise on the Design of Accounts. Other subjects are also receiving the attention of the Research Committee in London which is co-operating with Research Committees and Groups attached to District Societies.

Disciplinary Committee.

The Disciplinary Committee censured a member for his conduct in dealing with an estate in bankruptcy and for failure to comply with the requirements of the Board of Trade in regard to a Deed, which had resulted in his removal from the Trusteeship by the Board of Trade.

Allegations were considered in four other cases and appropriate action was taken.

Council.

In accordance with the provisions of Article 48, Mr. Robert Edward Starkie, Fellow in public practice, Leeds, has been appointed to fill an occasional vacancy on the Council.

The following members of the Council retire, and, being eligible, offer themselves for re-election:—

Under Article 48:

Provinces: Mr. Robert Edward Starkie.

Under Article 49:

London: Mr. Henry Morgan.
Mr. Ralph Thomas Warwick.
Mr. Richard Alfred Witty.

Provinces: Mr. Richard Wilson Bartlett, J.P.
Mr. Ralph Macaulay Branson.
Mr. John Paterson Brodie.
Mr. Frederick Arthur Prior.
Mr. Joseph Turner.
Mr. Fred Woolley, J.P.

Auditors.

Mr. Arthur Henry Hughes, Incorporated Accountant, London, and Mr. Percy Henry Walker, Incorporated Accountant, Cardiff, are the retiring Auditors, and offer themselves for re-election.

Accounts.

The audited accounts of the Society for 1938 are annexed to this Report.

WALTER HOLMAN,
President.

PERCY TOOTHILL,
Vice-President.

ALEXANDER A. GARRETT,
Secretary.

INCORPORATED ACCOUNTANTS' HALL,
LONDON, W.C.2.
April 4, 1939.

COUNCIL MEETING

At a meeting of the Council on May 18, 1939, there were present: Mr. Walter Holman (President), Mr. Percy Toothill (Vice-President), Mr. F. J. Alban, Mr. A. Stuart Allen, Mr. C. Percy Barrowcliff, Mr. R. Wilson Bartlett, Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. W. Norman Bubb, Mr. Henry J. Burgess, Mr. D. E. Campbell, Mr. Arthur Collins, Mr. W. Allison Davies, Mr. E. Cassleton Elliott, Mr. M. J. Faulks, Mr. Alexander Hannah, Sir Thomas Keens, Mr. Edmund Lund, Mr. Henry Morgan, Mr. C. Hewetson Nelson, Mr. Bertram Nelson, Mr. James Paterson, Mr. F. A. Prior, Mr. R. E. Starkie, Mr. Joseph Turner, Mr. A. H. Walkey, Mr. R. T. Warwick, Mr. Richard A. Witty, Mr. Fred Woolley, Mr. A. A. Garrett (Secretary) and Mr. L. T. Little (Deputy Secretary).

The President welcomed Mr. R. E. Starkie, Leeds, who took his seat as a member of the Council for the first time.

GOLD AND SILVER MEDALS

The President formally presented to Mr. Arthur Moody, Ashton-in-Makerfield, the Gold Medal, and to Mr. Roger David Curtis, London, the Silver Medal awarded by the Council in respect of the Examinations held in 1938.

MILITARY SERVICE

Resolutions were adopted by the Council as published on page 343.

CONFERENCE IN NOTTINGHAM, 1939

The Council received the complete programme which has been issued to members.

SOUTH AFRICA

The Council adopted a Resolution of condolence with his widow and the South African Committees on the death of Mr. W. R. Fraser, F.S.A.A., Honorary Secretary of the Society's South African (Eastern) Branch, Durban.

MISUSE OF DESIGNATION INCORPORATED ACCOUNTANT

The Secretary reported two cases of persons who had used the designation "Incorporated Accountant" when they were not members of the Society, also that complete undertakings in the appropriate form had been given to the Society's Solicitors by each of those concerned.

CONFERENCE IN BIRMINGHAM

The Council accepted an invitation from the Birmingham District Society for a Conference to be held in Birmingham in the year 1942.

RESIGNATIONS

The resignations of the following members were accepted with regret as from the dates indicated:

December 31, 1938:

HODGES, RICHARD JOHN (*Associate*), London.
MCQUALTER, ALEXANDER CAMPBELL (*Associate*),
Camperdown, Australia.

TAYLOR, THOMAS TUTTON (*Associate*), Loughton.
December 31, 1939:

LEDGER, EDWARD (*Associate*), Southend-on-Sea.
NORMAN, EDWARD JAMES (*Associate*), London.

DEATHS

The Secretary reported with regret the death of each of the following members:

BOYD, JAMES (*Fellow*), Belfast.

FRASER, WILLIAM ROBERT (*Fellow*), Durban,
S. Africa.

HENDERSON, ALEXANDER (*Fellow*), Fraserburgh.

LEE, FREDERICK (*Associate*), Huddersfield.

RADFORD, THOMAS SHILTON (*Associate*), Birmingham.

SECOND COUNCIL MEETING

On May 18 a second Council meeting was held after the annual general meeting. Mr. Walter Holman, retiring President, took the chair, and Mr. Percy Toothill, Sheffield, was elected President of the Society for the ensuing year; and Mr. Richard A. Witty, London, Vice-President. Mr. Toothill and Mr. Witty acknowledged the Resolutions of the Council. Committees of the Council were elected, and at the conclusion of the Council meeting the respective Chairmen and Vice-Chairmen of Committees were appointed.

CONFERENCE OF REPRESENTATIVES OF BRANCHES AND DISTRICT SOCIETIES WITH MEMBERS OF THE COUNCIL

A Conference of Representatives of Branches and District Societies with members of the Council was held on May 19, 1939, when Mr. Percy Toothill, President of the Society, occupied the Chair.

There were also present: Mr. Richard A. Witty (Vice-President), Sir Thomas Keens (Chairman of the District Societies Committee), Mr. F. J. Alban, Mr. C. Percy Barrowcliff, Mr. R. Wilson Bartlett, Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. Henry J. Burgess, Mr. D. E. Campbell, Mr. Arthur Collins, Mr. W. Allison Davies, Mr. Alexander Hannah, Mr. Walter Holman, Mr. Edmund Lund, Mr. Bertram Nelson, Mr. James Paterson, Mr. R. E. Starkie, Mr. Joseph Turner, Mr. R. T. Warwick.

Mr. E. A. Anderson, Belfast; Mr. Edward Baldry, London; Mr. D. H. Bates, North Staffordshire; Mr. H. S. Bull, Devon and Cornwall; Mr. J. Burton Carter, Nottingham; Mr. E. Chetter, Liverpool; Mr. C. E. Claridge, Bradford; Mr. Ivor Davies, South Wales and Monmouthshire; Mr. H. Derwick, Yorkshire; Mr. C. M. Dolby, Liverpool; Mr. E. Downward, North Staffordshire; Mr. T. W. Dresser, Yorkshire; Mr. James C. Fay, London Students; Mr. W. H. Fox, Leicester; Mr. A. F. Girling, Sheffield; Mr. Glyn M. Griffith, Swansea and South West Wales; Mr. D. V. Hayden, East Anglia; Mr. M. W. Hustwick, Bradford; Mr. T. Jewitt, Newcastle-on-Tyne; Mr. Hugh O. Johnson, West of England; Mr. A. Macdonald, Hull; Mr. W. T. Manning, Leicester; Mr. T. O. Morgan, Swansea and South West Wales; Mr. S. T. Morris, London Students; Mr. P. D. Pascho, Devon and Cornwall; Mr. Samuel G. Peach, South of England; Mr. E. Ewart Pearce, South Wales and Monmouthshire; Mr. W. A. Pearman, London; Mr. Halvor Piggott, Manchester; Mr. T. Harold Platts, Birmingham; Mr. C. H. Pollard, Hull; Mr. J. J. Potter, Birmingham; Mr. J. W. Richardson, Sheffield; Mr. A. Schofield, Yorkshire; Mr. T. W. Scollick, Newcastle-on-Tyne; Mr. J. Scott-Moore, London; Mr. Alfred Southern,

Manchester; Mr. J. E. Spoors, Newcastle-on-Tyne; Mr. Percy H. Walker, South Wales and Monmouthshire; Mr. J. Wareing, North Lancashire; Mr. F. A. Webber, West of England; Mr. T. E. Williams, Cumberland and Westmorland.

At the opening of the proceedings on the motion of Mr. J. W. Richardson, Sheffield, it was unanimously resolved that the congratulations of the Branches and District Societies be accorded to Mr. Percy Toothill upon his election as President of the Society and to Mr. Richard A. Witty as Vice-President.

The Conference discussed questions in relation to professional education, national service and the development of the appointments department of the Society. In regard to national service some suggestions were made as to help being afforded to practitioners who themselves, or whose staffs might be absent on national service in the event of an emergency. It was decided that such arrangements should be made individually, but that each District Society should consider what steps could best be taken in its own district for the facilitating of the arrangements.

The meeting closed with a vote of thanks to the President, who subsequently presided at a luncheon given to those who were present at the Conference and among the guests was Mr. J. R. Winearls, Incorporated Accountant, Cape Town.

INCORPORATED ACCOUNTANTS BENEVOLENT FUND

Annual Meeting

In moving the adoption of the Report and Accounts at the Annual General Meeting held on May 18, the President of the Fund, Mr. C. Hewetson Nelson, expressed the wish of the Trustees that through the annual meeting and in other ways those who supported the Fund should be able to maintain a personal interest in its work.

The most gratifying feature in the revenue account was a welcome increase in subscriptions and an increase of the refund of tax obtained by covenanted subscriptions. The revenue from these two items was a very important feature, because it mainly determined the amount which the Trustees could grant from year to year. It was a satisfaction to the Trustees to be able to rely on investment income each year, and it was for the capital of the Fund that life subscriptions and donations were utilised. It was disappointing, therefore, that the amounts received under these two headings had fallen, and an increase in life subscriptions would be particularly welcome.

The report referred to a happy feature which the Trustees had introduced, namely, the making of some small additional grant in certain cases at Christmas time, and this had been appreciated by those whom the Fund helped. It was the policy of the Trustees as far as possible to increase the amount of individual grants. The number of cases and the amount granted were somewhat less than in the previous period, but this was mainly accounted for by the change from a 15 months' period to 12 months.

Mr. Hewetson Nelson acknowledged the help which members in different parts of the country had given in

advising the Trustees upon applications and by their personal contact with beneficiaries of the Fund. He was glad to refer to the progress made by children who had been educated or trained for a calling with the assistance of the Fund, and he was happy that some of the money spent in this direction, besides giving help and comfort at a critical time, could be regarded as a useful investment for the future of these young people.

In expressing their obligations to Mr. Henry Burgess, the Chairman, and the other Trustees, for their sympathetic and careful work in administering the Fund, Mr. Hewetson Nelson again invited the most generous response to the annual appeal to enable the Trustees to develop their policy—which was to give the utmost help which the Fund could afford.

The Report and Accounts were adopted.

Mr. C. Hewetson Nelson was re-elected President of the Fund; Mr. Henry Burgess, Mr. R. T. Warwick, Mr. William Paynter, Mr. Percy Toothill and Mr. R. M. Branson, Trustees; and Mr. W. Southwood Smith, Hon. Auditor. Votes of thanks for their services were passed unanimously.

Report of the Trustees

The Trustees have pleasure in presenting to Subscribers and Donors the Report and Accounts covering the period of twelve months to December 31 last.

Owing to the decision that the financial year of the Fund should end on December 31 instead of September 30, the comparative figures indicated in the accounts cover a period of fifteen months, while those for 1938 are for twelve months. Thus the two sets of figures are not strictly comparable.

The increase in subscription revenue therefore is particularly satisfactory, although the amount of life subscriptions and donations, which are added to capital, dropped considerably. The total sum of all contributions for fifteen months to December 31, 1937, was £1,594 8s. 6d., while that for the twelve months to December 31, 1938, was £1,301 9s. 2d.

The grants made by the Trustees under appropriate headings are shown in tabular form. The Trustees consider it satisfactory that the largest item in the list relates to the education and support of children. The fact that the total sum of grants made is somewhat less than in the previous accounts is mainly attributable to the shorter period.

The Trustees were able to introduce a new feature by supplementing the normal grant in certain appropriate cases by small additional payments at Christmas.

The Trustees hope that the response to the appeal made by the President of the Fund during the current year will be liberal, and that the number of members who interest themselves in the Fund will be enlarged. There are a number of deserving cases before the Trustees where more favourable grants could be made if additional resources were available.

The expenses of the Fund are limited to the necessary outlay for printing and postage.

Dated this 25th day of April, 1939.

| | |
|--------------------------------|-------------|
| HENRY J. BURGESS | } Trustees. |
| R. T. WARWICK | |
| W. PAYNTER | |
| PERCY TOOTHILL | |
| R. M. BRANSON | |
| A. A. GARRETT, Hon. Secretary. | |

W SOUTHWOOD SMITH,
Incorporated Accountant.
Hon. Auditor.

MEMBERSHIP

The following additions to and promotions in the membership of the Society have been completed since our last issue:—

ASSOCIATES

Ashton, Francis Geoffrey, with F. W. Clarke & Co., Leicester; **Bach**, Henry, with Philip E. Farr, Rose & Co., London; **Betts**, William Rawdon, with Douglas, MacKelvie & Co., Capetown; **Green**, Walter Herbert (Weeks, Green & Co.), Southampton, Practising Accountant; **Johnson**, Peter Norman, with Reginald L. Tayler & Co., London; **King**, John Duncan, with Croydon & King, London; **Michel**, George Richard, with McCann, Bentley & Co., London; **Newell**, Dennis Percival, with Johnstone, Moulder & Co., Kidderminster; **Owen**, John Clough, with Stowell & Bayley, Manchester; **Roberts**, Sidney Samuel, with S. M. Bell & Co., Newcastle-upon-Tyne; **Savidge**, David Gordon Madgwick, with Baldwin, Son & Dawe, Brighton; **Wagner**, Carl Frederick, with Litton Pownall, Blakey & Higson, Manchester; **Williams**, Arthur Lionel Alfred, with Chantrey Button & Co., London; **Winsborough**, Bert, London (re-instated).

ASSOCIATES TO FELLOWS

Afzal, Syed Ahmad (Afzal, Banerjee & Co.), Calcutta, Practising Accountant; **Banerjee**, Dharendra Nath, B.Sc. (Afzal, Banerjee & Co.), Calcutta, Practising Accountant; **Fleming**, Norman Carr Richmond (Charles E. Dolby & Son), Liverpool, Practising Accountant; **Ghosh**, Sidhartha Kumar, B.Sc., Calcutta, Practising Accountant; **Kilvington**, Frank Wilson (Britton-Hervey & Kilvington), Brighton, Practising Accountant.

DINNER AT CARDIFF

The annual dinner of the South Wales and Monmouthshire District Society was held at the Park Hotel, Cardiff, on Friday, March 31, the chair being taken by the President of the District Society, **Mr. Arthur B. Watts**.

Lord Davies, who proposed the toast, "The Society of Incorporated Accountants," referred to the high esteem in which the Society's diploma was held all over the world and to the high standard of its examinations. He commented on the fact that out of 317 candidates in the Final Examination last November only 148 were successful. Lord Davies congratulated the Society on its membership of over 7,500 and on the keen interest taken in municipal and national affairs by its members.

Mr. Walter Holman, responding to the toast, said that it was a signal honour that the toast had been proposed by one who had devoted himself wholeheartedly to every worthy cause in Wales. Lord Davies was better fitted than most to appreciate the strength and value of an organisation such as the Society, which existed for the benefit, not only for its own members, but also for that of the commercial and trading community. Mr. Holman stressed the useful work done by the various District Societies, of which South Wales was an outstanding example, and he paid a tribute to the work of the Secretary, Mr. Percy H. Walker, who was relinquishing that office after seventeen years hard work. Mr. Holman said that a notable feature of the

year had been the appeal to the accountancy profession for volunteers for national service. The response of members to the appeal made to the whole of the profession had exceeded expectations and it was a great satisfaction to him that in this matter, as in others which had arisen during his period of office as President, co-operation between the Institute and the Society had been close and cordial.

The toast of "Trade, Commerce and Industry" was proposed by **Mr. E. Ewart Pearce**, the Vice-President of the District Society, and was responded to by the Lord Mayor of Cardiff, and **Mr. Frederick H. Davies**, the Past-Chairman of the Monmouthshire and South Wales Coal Owners. The toast of "The Guests" was proposed by the President of the District Society, **Mr. Arthur B. Watts**; the Chief Constable of Cardiff (**Mr. J. A. Wilson, O.B.E.**) and **Mr. G. J. Morley Peel, M.B.E.**, the President of the Cardiff Insurance Institute, responded.

The number of members and guests totalled 223, including the Lord Mayor of Cardiff (Alderman W. G. Howell, J.P.) and the Lady Mayoress; Mr. Walter Holman (the President of the Society of Incorporated Accountants); Lord Davies, M.A., LL.D., of Llandinam; the Deputy Mayor of Newport; Sir John Rowland, C.B., M.V.O., C.B.E. (Chairman, Welsh Board of Health); the Presidents of the Chambers of Commerce and Chambers of Trade for Cardiff and Newport; the Presidents of the Shipowners' and Shipbrokers' Associations; the past Chairman of the Monmouthshire and South Wales Coal Owners; Mr. Louis S. Thomas, (Registrar, University College of Wales); Mr. J. C. Jones, B.Sc., A.M.I.C.E., and Mech.E. (Principal of the Cardiff Technical College); Mr. W. J. Williams, M.A. (Director of Education, Cardiff); Headmasters of the Cardiff and Newport Secondary Schools; Mr. Frank Webber, F.C.I.S. (President, South Wales Branch, Chartered Institute of Secretaries); Mr. Percy Thomas, O.B.E., LL.D., F.R.I.B.A. (Past President, Royal Institute of British Architects); Sir Thomas Allen, J.P.; Sir Alderman W. R. Williams, J.P.; Sir David Morgan; Mr. P. S. Harper, F.C.I.S. (Vice-Chairman, Cardiff Stock Exchange); the Registrars of the various County Courts; and many representatives of education, trade, commerce and the medical profession.

GOLFING SOCIETY

The Spring Meeting of the Golfing Society was held at the West Herts Golf Course on May 10, 1939.

The Society's Challenge Cup was competed for and was won by Mr. L. I. Prager, 94-17=77. There was a tie for second place between Mr. E. R. Inge and Mr. P. F. Keens, with a net score of 81. The prize was awarded to Mr. E. R. Inge as he had the best score on the last nine holes.

In the afternoon a Stapleford Competition was held and was won by Mr. R. J. Newbery with 36½ points, the runner up being Mr. R. Sanders with 34½ points.

Arrangements are being made to hold the Summer Meeting for the week-end July 1 and July 2 at a Course not more than 30/40 miles from London, and the Captain and Committee hope that members will make every effort to attend.

DISTRICT SOCIETIES AND BRANCHES

LONDON

The Annual General Meeting of the London and District Society will be held at Incorporated Accountants' Hall on Friday, June 9, at 4 p.m.

BELFAST

The annual meeting of the Incorporated Accountants' Belfast and District Society was held on April 24. Mr. E. A. Anderson, F.S.A.A., presided over a good attendance.

The following office bearers were elected:—President, Mr. E. A. Anderson; Vice-President, Mr. S. Boyle; Committee, Mr. F. Allen, Mr. J. H. Allen, Mr. H. Andison, Mr. James Boyd, Mr. Robert Bell, Mr. D. T. Boyd, Mr. N. Booth, Mr. A. S. Courtney, Mr. W. Keith, Mr. J. S. Lewis, Mr. J. D. Thompson, Mr. J. A. Winnington, Mr. J. S. White; Hon. Secretary and Treasurer, Mr. H. McMillan.

Annual Report

MEMBERSHIP

The total number of Members is 214, consisting of 19 Fellows, 77 Associates, and 118 Students.

EXAMINATIONS

The Examinations of the Society were held at Belfast in May and November. The results were as follows:

| | Final | Intermediate | Preliminary |
|-----------|-------|--------------|-------------|
| Passed .. | 3 | 5 | 9 |
| Failed .. | 4 | 15 | 9 |
| Total .. | 7 | 20 | 18 |

Mr. J. J. G. Hillan was bracketed for the Fourth Certificate of Merit in the Final Examination.

STUDENTS' SOCIETY

A successful dance was held in Belfast Castle on February 3, 1939, under the auspices of the Students' Section.

Mr. J. D. Radcliffe, M.Com.Sc., A.S.A.A., gave a series of eight lectures on Accountancy, Executorship Law and Accounts, Cost Accounts and Income Tax. These lectures were specially arranged to suit the requirements of students preparing for the Examinations, and proved extremely helpful. It is a matter of regret that relatively few of the students members took advantage of these lectures.

MEETINGS

Seven meetings were held during the year.

DINNER

A Dinner was held on November 14, at which the Lord Chief Justice and the Minister of Commerce (Mr. J. M. Barbour), were the principal guests. Mr. W. Holman, President of the Society, was present, and the function was well supported by the members.

GOLF COMPETITIONS

The Annual Golf Competition for the Booth Cup was held on May 10, 1938. The Booth Cup and Prize were won by Mr. G. B. Dickson, the Runner-up Prize being won by Mr. J. H. Allen. The Consolation Stroke was won by Mr. W. A. Conn—Runner-up, Mr. H. Andison.

COMMITTEE

The members retiring are Mr. F. Allen, Mr. E. A. Anderson, Mr. H. Andison, Mr. S. Boyle and Mr. D. T.

Boyd, who are eligible, and offer themselves for re-election.

Mr. J. D. Thompson continues to act as the Society's Representative on the Chamber of Commerce, and Mr. J. A. Winnington represents the Society on the Court of Referees of the Ministry of Labour. The President, Mr. E. A. Anderson, succeeds Mr. J. S. White as our representative on the Ulster Tourist Development Association.

OBITUARY

It is with great regret the Committee report the death of Mr. James Boyd, one of the original members of the Society. Mr. Boyd had filled the offices of President and Secretary, and was a member of the Committee for many years.

INCORPORATED ACCOUNTANTS' GOLF COMPETITION

The annual competition for the Booth Cup was held at Helen's Bay, on Monday, May 22, under ideal weather conditions. The Booth Cup and Prize were won by Mr. W. J. M. Stewart, the runner-up being Mr. H. F. Bell. The Consolation Stroke was won by Mr. H. Andison, with a net score of 73.

The prizes were presented by the President, Mr. E. A. Anderson, and on the proposal of Mr. J. D. Thompson a hearty vote of thanks was passed to the President and Vice-President (Mr. S. Boyle) for supplying the prizes.

BRADFORD

At the annual general meeting of the Bradford Society held on April 27, it was reported that Mr. R. H. B. Heap, Mr. J. W. Reynolds, Mr. J. Rhodes, Mr. A. E. Stringer and Mr. G. A. Wrigley had resigned from the Committee under Rule 5(d). The vacancies were filled by the election of Mr. G. R. Lawson, Mr. K. Burrow, Mr. H. Lee and Mr. F. G. Stringer. Mr. E. Longbottom, Mr. H. Wells and Mr. W. S. Wilson resigned under Rule 5(b) and were re-elected.

At a Committee Meeting held the same evening, the following officers were appointed:—

President, Mr. C. E. Claridge.
Senior Vice-President, Mr. A. N. Buckley.
Junior Vice-President, Mr. E. Longbottom.
Honorary Treasurer, Mr. T. Hudson.
Honorary Secretary, Mr. M. W. Hustwick.

Annual Report

The Committee has pleasure in presenting the following report on the work of the Society for the year ended March 31, 1939.

MEMBERSHIP

There are now 320 Members, including 106 Fellows, 127 Associates, and 87 Students.

LECTURES AND MEETINGS

The Society held nine meetings during the session,

GOLF

The annual golf competition took place on June 20, 1938, at the Oakdale Golf Club, Harrogate.

ECONOMICS STUDY CIRCLE

Four meetings of the Economics Study Circle were held during the session, the subjects under discussion being "The unemployment problem—causes and remedies," "Is interest on Capital justifiable?" and "Free Trade—v—Protection."

EXAMINATION RESULTS

Congratulations are accorded to the students who have been successful in passing the examinations of the Society. Sixteen passed the Intermediate and five the Final.

OBITUARY

The Committee regrets to record the death of Mr. John William Dixon of Ilkley and Mr. T. G. N. Hollings of Otley.

DEVON AND CORNWALL

The fifth annual meeting was held on May 15. The President, Mr. H. S. Bull, presided.

The President gave a short review of the activities of the Society during the past year. The reports of the Secretary and Treasurer were adopted after discussion.

The retiring members of the Committee were re-elected. Mr. F. E. Tucker, Exeter, was elected a member of the Committee.

The retiring Auditor, Mr. W. R. Frost, was re-elected.

Annual Report.

The Committee have pleasure in presenting the Report of the work of this District Society for the year ended March 31, 1939.

The present Membership is 147, represented by 33 Fellows, 63 Associates, and 51 Students.

The following lectures were given :—

AT PLYMOUTH

"The Functions of the Stock Exchange," by Mr. J. L. P. Weekes (Member—Provincial Brokers Stock Exchange).

"Executorship Law," by Mr. F. A. Roberts, A.S.A.A.

"Social Economics," by Mr. W. J. Back, A.S.A.A.

"N.D.C. and Income Tax," by Mr. H. A. R. J. Wilson, F.S.A.A., F.C.A.

"Case VI Schedule D," by Mr. S. A. Dunn (H.M. Inspector of Taxes).

"The Banker and the Accountant," by Mr. W. A. Blackwell (Manager—Barclays Bank, Ltd.).

AT EXETER

"N.D.C. and Income Tax," by Mr. H. A. R. J. Wilson, F.S.A.A., F.C.A.

"Claims and Reliefs," by Mr. W. A. B. Carter (H.M. Inspector of Taxes).

Four lectures were delivered by members of the Panel of Lecturers provided by the Parent Society, while the other four lectures were delivered by local gentlemen to whom the Committee are indebted. The continued kindness of Messrs. W. W. Beer, Aplin & Co., in allowing their offices to be used for the Exeter lectures is again gratefully acknowledged. Members and Students are reminded of the advantages to be obtained from these meetings.

Five students passed the Final Examination in 1938, and five the Intermediate.

The Annual Dinner was held at Plymouth on November 25, 1938, and a record attendance was present.

An innovation during the year was a Golf Match with members of the Inland Revenue Department. This was held at Bigbury on November 20, 1938, and proved very successful.

IRELAND

The Society of Incorporated Accountants in Ireland held their annual meeting in Dublin on May 10. The President, Mr. R. L. Reid (Dublin) occupied the Chair.

The Report and Accounts for year ended March 31, 1939, were adopted.

The retiring members of the Council were re-elected except Mr. A. J. Magennis, who did not seek re-election.

Mr. T. Condren Flinn, F.S.A.A., F.C.A., was re-elected Hon. Auditor.

At a Council Meeting held subsequently, all the Officers were re-elected for 1939-40. They are as follows :— President, Mr. R. L. Reid, F.S.A.A. (Dublin); Vice-President, Mr. W. L. White, F.S.A.A. (Cork); Hon. Treasurer, Mr. A. H. Walkey, F.S.A.A. (Dublin), and Hon. Secretary, Mr. A. J. Walkey, F.S.A.A. (Dublin).

Annual Report.

The Council presents its thirty-sixth Annual Report.

MEMBERSHIP

The total number of Members in Ireland is now 211, consisting of 52 Fellows, and 159 Associates. The Student Members now number 235.

OBITUARY

We regret to report the deaths of Mr. David R. Mack, Dublin, and Mr. James Boyd, Belfast. Mr. Mack had been a Member of our Society for some twenty years. Mr. James Boyd was a Member of our Council for many years, and had held the office of President of the Irish Branch in the years 1923-24 and 1932-33.

EXAMINATIONS

The number of Candidates who presented themselves for examination at the Dublin and Belfast Centres in May and November, 1938, was 104, 39 were successful.

In the Final Examination, November, 1938, Mr. J. K. P. Ingram, Dublin, was awarded Third Certificate of Merit, and Prize, and Mr. J. J. G. Hillan, Belfast, was bracketed for Fourth Certificate of Merit. The Council congratulates them on their success.

STUDENTS' SECTIONS

There were seven students' meetings held in Dublin, and seven in Belfast. In addition, eight special lectures on accountancy subjects were delivered in Belfast by Mr. J. D. Radcliffe, M.Com.Sc., A.S.A.A. The attendances are considerably below what they should be.

Dances were held during the winter by the Dublin Students' Society on December 1, 1938, and by the Belfast Students' Section on February 3, 1939.

DINNER

The Dinner of the Belfast and District Society took place at the Grand Central Hotel on November 14, 1938, and was well supported.

COUNCIL

Mr. J. A. Kinnear, who had been a Member of our Council for over twenty years, tendered his resignation in October last, and it was accepted with regret. In his place, the Council co-opted Mr. Mervyn Bell, and his appointment has now to be confirmed.

LIVERPOOL

Annual Report

The Committee has pleasure in submitting the report for the year ended March 31, 1939.

MEMBERSHIP

The total membership is now 562, including 65 Fellows, 264 Associates, and 233 Students.

MEETINGS

Seventeen meetings have been held during the year. Four of the lectures were followed by members' dinners, which have again proved their value.

At the dinner in February, the Society entertained its senior member, Mr. R. H. Thomas, F.S.A.A., who was admitted in 1887.

The Chester meetings have again been notably successful.

On November 10, a luncheon was held at the Exchange Hotel. The proceedings were short, eloquent and enjoyable.

LIVERPOOL INCORPORATED ACCOUNTANTS' HALL

Full use has again been made of the Hall by the Society and lettings have been satisfactory. The supply of books and periodicals for the Library, though still falling short of the ambitions of the Committee, has been augmented. Members are reminded that coffee is served in the Hall each Saturday morning from 11.0 to 11.45 and that the Library is available for private study.

CONSULTATIVE COMMITTEE

The Consultative Committee has continued to advise members in most spheres of professional practice.

NATIONAL SERVICE

In September, the Society, on the request of the Chief Constable of Liverpool, undertook certain duties as regards volunteers for emergency work. More recently, the Society, in conjunction with the Liverpool Society of Chartered Accountants, has been asked to form an Accountants' Balloon Barrage Flight, with a strength of 96 officers and men.

EXAMINATIONS

The Committee extends its congratulations to the Students who were successful as the Examinations of the Parent Society. Thirteen passed the Final and fourteen the Intermediate.

The Liverpool Examination prizes have been awarded as follows:—

Mr. G. H. T. Allen, who took Sixth Place Certificate in the Intermediate Examination in November.

Mr. Arthur Moody, who took First Certificate of Merit in the Final Examination in November, and was awarded the Gold Medal for 1938.

PRESIDENT'S BADGE

The Presidential Badge was replaced during the year with a new badge.

SOCIAL ARRANGEMENTS

A Golf Competition with H.M. Inspectors of Taxes was held on July 7, with results statistically regrettable but intellectually enjoyable. To an Inspector of Taxes, Mr. S. Dring, we are indebted for the arrangements in connection with an evening party, held with great success on March 20.

PARENT SOCIETY

The Liverpool Society was represented at the District Societies' Conference held in London last May, at the

Professional Course at New College, Oxford, in July and at the Guildhall Dinner in March.

LIVERPOOL CHAMBER OF COMMERCE

The Society continues to be represented on the Council of the Chamber by the President and Hon. Secretary.

Report of the Committee of the Students' Section

LECTURES

The lectures arranged by the District Society were generally well supported by the Students.

DISCUSSION CLASSES

An experimental series of discussion classes was arranged for the May examinations. Any suggestions for future arrangements will be carefully considered.

SOCIAL ACTIVITIES

The annual dance arranged by the Students' Committee was held on November 19. It is proposed to hold two dances next year. As an innovation, two hot-pot suppers were held in September and January.

An evening party was arranged by the District Society in March, primarily for the benefit of Students.

NEWCASTLE-UPON-TYNE

Annual Report.

The Committee have pleasure in presenting their report for the year ended March 31, 1939, and desire to place on record a very cordial expression of thanks to the gentlemen who have lectured during the past session.

MEMBERSHIP

The Membership at March 31, 1939 was 40 Fellows, 184 Associates and 214 Student Members, a total of 438.

LECTURES

The attendance at meetings was rather disappointing after the improvement which took place in the previous year. The Committee trust that students will realize that the majority of the lectures are specially arranged for their benefit. The lecturers are experts in their own subjects and have a wide experience in lecturing for examination purposes. The students who do attend express the opinion that they receive a great deal of benefit from the lectures.

EXAMINATION RESULTS

Congratulations are extended to the Students who were successful in the Society's Examinations: Twenty-five passed the Final and nineteen the Intermediate.

DINNER

After an interval of two years a successful Dinner was held on March 10, 1939.

PARENT SOCIETY

The District Society was represented at a Dinner held in Guildhall, London, when H.R.H. The Duke of Kent proposed the toast of the Society of Incorporated Accountants and Auditors.

DISTRICT SOCIETIES

The President and Hon. Secretary have attended official functions of various northern District Societies during the year. The Society was represented at the Conference of District Societies held at Incorporated Accountants' Hall, London, in May, 1938.

COMMITTEE

The following retire by rotation but are eligible for re-election: Mr. J. Telfer, Mr. H. Scott, Mr. A. C. Churchill, Mr. R. H. Edwards, Mr. H. W. Green, Mr. T. R. G. Rowland. Mr. W. H. Stalker has been nominated as an ordinary member of the Committee.

NOTTINGHAM, DERBY AND LINCOLN

Annual Report

The Committee has pleasure in submitting its thirtieth annual report for the year ended March 31, 1939.

MEMBERSHIP

The figures of Membership for the past three years are as follows:—

| | 1937. | 1938. | 1939. |
|--|------------|------------|------------|
| Fellows and Associates in Practice | 51 | 67 | 54 |
| Fellows and Associates not in Practice | 96 | 92 | 105 |
| Students | 86 | 76 | 79 |
| | <u>233</u> | <u>235</u> | <u>238</u> |

MEETINGS

The Committee is pleased to record the high standard of the Lectures, but regrets that there is still a number of students who do not take advantage of the opportunities afforded them. The Committee will be pleased to receive suggestions for future lectures and meetings from members and students.

EMPLOYMENT REGISTER

The Secretary regularly receives notifications of vacancies and appointments, both home and overseas, which are available to members of the profession. Members who desire a change of employment should therefore communicate with him.

SOCIETY MEETINGS

The Conference of Representatives of District Societies was attended by the President, Mr. J. T. Singleton, Mr. F. A. Prior and Mr. Stanley Wallis, on May 18, 1938.

PRESENTATION

A Luncheon was held on July 21. In recognition of his services as Honorary Secretary from 1926 to 1938, a silver inkstand was presented to Mr. Stanley Wallis on his retirement from that office.

LIBRARY

The Library has been freely used by members and students during the year. Further additions have been made and the Committee will be pleased to receive suggestions for improving the facilities offered by the Library.

COMMITTEE

The retiring members of the Committee, Mr. J. T. Singleton, Mr. H. T. Hooley, Mr. W. Gretton, Mr. J. W. Mee and Mr. H. F. Palmer, being eligible, offer themselves for re-election.

AUDITOR

The retiring Auditor, Mr. Walter Clayton, A.S.A.A., offers himself for re-election.

EXAMINATIONS

The Committee tenders its congratulations to the candidates who were successful in the Examinations of

the Parent Society held in May and November, 1938. Twelve passed the Final and seven the Intermediate.

SOCIETY CONFERENCE IN NOTTINGHAM

Members are reminded of the Conference of the Society of Incorporated Accountants to be held at the University College, Nottingham, from July 19 to 22, 1939. It is expected that all Nottingham members will realise and appreciate the honour of holding a Conference in this City, and that they will do their utmost to ensure its success.

SOUTH AFRICAN (WESTERN) BRANCH
ANNUAL MEETING

The thirteenth annual meeting of the South African (Western) Branch of the Society was held at Cape Town on April 20.

The Chairman, Mr. C. D. Gibson, reviewed the events of the past year and moved the adoption of the accounts, which was carried. The members stood in silence for a few moments in respect to the memory of the late Mr. Philip Salisbury.

The retiring Committee members and the auditor were re-elected.

The Chairman gave information relating to the Registration Bill and the Attorney's Admission Bill.

A vote of thanks to the Chairman was accorded with enthusiasm.

Chairman's Report.

The Branch has sustained a severe loss in Mr. P. Salisbury, the senior member to qualify by examination in South Africa, and a member of the Committee for many years.

Members in the Orange Free State were transferred from the Branch to the Northern Branch in January, 1939. Eight Associates were admitted during the year and the number of members is now 112. The examination results were disappointing.

The Committee has closely watched the proceedings on the Registration Bill. If it becomes law, all our members in the Union will be in a position to be placed on the Register and also qualify for admission to the local societies. Overseas accountants coming to the Union to practise will require to pass an examination in South African law.

The Companies Amendment Bill, which is expected to be passed and to come into force on January 1, 1940, amends practically every clause of Act No. 46 of 1926 and contains new provisions for the preparation of profit and loss accounts and balance sheets.

The Branch has made the usual donation of twenty guineas to the Benevolent Fund. Some members also make personal donations and this course is commended to all.

SOUTH WALES AND MONMOUTHSHIRE
Annual Report

The Committee presents to the Members its report for the year ended March 31, 1939.

PRESIDENT

Mr. Arthur B. Watts, F.S.A.A., Cardiff, was unanimously elected President and Mr. E. Ewart Pearce, F.S.A.A., Cardiff, Vice-President for the year ended March 31, 1939.

OBITUARY

It is with the deepest regret that the Society records the death of Mr. John Allcock, O.B.E., F.S.A.A. Mr. Allcock had always taken a very keen interest in the work of the District Society since his appointment as City Treasurer of Cardiff in 1906, and he held the position of President on three occasions.

CONFERENCE OF REPRESENTATIVES OF BRANCHES AND DISTRICT SOCIETIES

The Conference of Representatives of Branches and District Societies with members of the Council, was held on May 18, 1938, when various matters of interest were dealt with.

LECTURES

The best thanks of the members are extended to those gentlemen who so kindly contributed to the success of the session by the lectures they gave.

RESEARCH COMMITTEE

In connection with the research work being carried out by the Society of Incorporated Accountants, a sub-Committee for research was set up consisting of the President, the Vice-President, Mr. Percy A. Hayes, Mr. A. Blackburn, Mr. Noel Cliffe, Mr. Ivor Davies, Mr. R. R. Davies, Mr. F. M. Forster, Mr. V. G. Fradd, Mr. J. D. R. Jones, Mr. C. T. Stephens, Mr. W. W. Stanley and Mr. Percy H. Walker. This Committee is continuing its research into matters connected with the audits of private limited companies with a view to producing a book suitable for publication.

EXAMINATIONS

Eleven students of the District Society passed the Final Examination, ten the Intermediate and five the Preliminary.

ANNUAL DINNER

The Annual Dinner of the District Society was held at the Park Hotel, Cardiff, on March 31, the chair being taken by the President, Mr. Arthur B. Watts.

PANEL OF PROFESSIONAL LECTURERS

The Panel of Professional Lecturers set up in 1936 has continued to work very satisfactorily. Four of the Lectures delivered to this District Society were drawn from the Panel, whilst the members of this District Society who had been placed on the Panel were called upon to lecture to a number of District Societies.

GOLF MEETINGS

The fourteenth spring golf meeting was held, by kind permission, at the Royal Porthcawl Golf Club on May 31, 1938. The autumn meeting which was postponed owing to the international crisis in September, was held by kind permission on the Pyle and Kenfig Course on November 24.

REFRESHER COURSE AT NEW COLLEGE, OXFORD

A number of members of the District Society attended the Course arranged for recently qualified members at New College, Oxford, in July, 1938, and took an active part in the deliberations. The benefit of these courses is incalculable.

Incorporated Accountants' Students' Society of Cardiff

LECTURES AND MEETINGS

The programme arranged and the lectures delivered reached the usual high standard, but the interest of the members generally was not maintained.

At the request of the District Society Committee one half of our meetings were held on Saturday mornings, thereby extending the experiment which proved so successful in the previous year. While these meetings produced better attendances than the evening meetings, it is felt that they should be even better attended.

LIBRARY

The library has been in the capable hands of Mr. R. J. Alban and Mr. G. E. Davies.

The use of the Library for reference purposes continues to be considerable, but the number of issues for the year indicates that much more use could be made of the facilities available.

The Librarians would be glad to receive suggestions from members of proposed accessions.

SOCIAL AND EDUCATIONAL FUNCTIONS

The annual outing took place on June 22, 1938, the venue being Minehead, Watchet and Dunster.

The annual dance held on November 23, 1938, again proved a very enjoyable function.

By the kind permission of the Head Postmaster of Cardiff, a party of members were permitted to tour the various departments of the General Post Office on November 17, 1938. The tour proved most interesting and instructive.

SPORTS SECTION

A tennis match was played on July 21, 1938, when we entertained Newport Section. The game was very enjoyable and the Newport Students are congratulated on winning by 7 events to 2.

An enjoyable cricket match with the Chartered Accountants' Students' Society was played on August 30, resulting in a victory for our side by 34 runs.

A Rugby football match with the Chartered Accountants' Students was played on January 26, 1939, our side being the winners.

The Chartered Accountants' Students easily avenged the defeat they sustained at Rugby in an Association Football match on March 7. They defeated us by 4 goals to 2 goals.

Incorporated Accountants' Students' Society of Newport

LECTURES AND MEETINGS

The opening meeting of the Session, held on October 20, 1938, was, in accordance with precedent, a joint meeting with the Cardiff Students' Section. The President of the District Society, Mr. A. B. Watts, F.S.A.A., gave an interesting and informative talk on "Cinema Accounts and their Audit."

Two Saturday morning meetings were held, but the attendances at these were not so good as anticipated. Although the Prize Essay Scheme was continued this year, only two contributors were forthcoming.

Two excellent Lectures were delivered during the Session, "Stock Exchange Prices," by Mr. Stanley Freeguard, and "An Introduction to Economics," by Mr. Noel Cliffe, A.S.A.A. We record our gratitude to these gentlemen.

The attendances at the meetings were better than last Session, but there is still need for further improvement.

OTHER EVENTS

The annual dance, held on December 15, was again a successful event, there being about 140 guests.

On April 4, 1939, a small party of students and seniors visited the highly efficient and modern works of The Whitehead Iron & Steel Co., Ltd.

PERSONAL NOTES

Sir James Price, K.B.E., C.B., A.S.A.A., has been appointed Commissioner for the Special Areas (England and Wales). Sir James was formerly Deputy Secretary of the Ministry of Labour, and more recently a Director of Imperial Airways.

After having been Hon. Secretary of the South Wales and Monmouth District Society for 17 years, Mr. Percy H. Walker has been elected President of that District Society. It is appropriate that we should acknowledge Mr. Walker's valuable services and the interest he has taken in the Society's work, particularly as regards the members and students in South Wales and Monmouthshire. He is a well-known figure at the annual conferences of representatives of District Societies, and his fellow members have fittingly elected him President of the District Society on his relinquishing the Hon. Secretaryship.

Mr. L. F. Elverstone has taken into partnership Mr. G. F. Tomlin. They will practise under the style of Elverstone & Co., Incorporated Accountants, at Temple Chambers, Coalville.

Mr. T. Greenhalgh, Incorporated Accountant, has been appointed City Treasurer of Wakefield.

Mr. R. Guymer, Incorporated Accountant, has been admitted a partner in the firm of Parker, Edwards and Co., County Bank Chambers, Fishergate, Preston.

Mr. H. Merttens, B.A., A.S.A.A., has been appointed Acting Commissioner of Income Tax in Nairobi.

Mr. H. J. Smith, Incorporated Accountant, has been appointed City Treasurer of Salford in succession to Mr. Arthur Bewley, F.S.A.A., who has retired.

Mr. L. W. E. Turquand, A.S.A.A., announces that he will practise as Messrs. Turquand & Son at 133, Moorgate, London, E.C.2, and Dunstable, Beds, on his own account in the future and that the name of the firm will remain unchanged.

OBITUARY

William Robert Fraser

The Society in South Africa has suffered a severe loss by the death of Mr. William Robert Fraser, F.S.A.A., which took place at Durban on April 18, 1939.

The late Mr. Fraser rendered most valuable service to the Society as Hon. Secretary of the South African Eastern Committee, Durban. He was appointed to this office in 1929. Mr. Fraser was articled in the office of Messrs. George Mackeurtan, Son & Crosoer, and was elected to membership in the year 1920. He was admitted to partnership in that firm in 1927.

The organisation of the profession in South Africa was a subject to which Mr. Fraser devoted a great deal of time and attention, and on his visits to Capetown and

Johannesburg he always took the opportunity of conferring with his colleagues in those cities in regard to the affairs of the Society and the general interests of the profession in South Africa. He maintained constant communication with the Society's Head Office, and was well-known among the members of the Natal Society of Accountants, with whom he had friendly contact.

Mr. Fraser paid visits to England from time to time, and was highly esteemed by the members of the Council whom he met on these occasions.

We extend to his widow and to his firm our sympathy in the loss of a gifted member of the profession, and one who had cultivated many friendships in his career, unhappily cut short at the early age of 44.

Alexander Henderson

With deep regret we record the death of Mr. Alexander Henderson, Incorporated Accountant, Frasersburgh, which took place on April 30. Mr. Henderson, who was 77 years of age, was one of the oldest members of the Scottish Branch. He had been a practising accountant for over 40 years, during which time he not only carried on a considerable professional practice, but held a number of important public appointments, being particularly connected with the local administration of education. His son, a promising young chartered accountant, was killed in the war. Mr. Henderson is survived by a daughter.

Nellie Elizabeth Lawton

We regret to have to report the death of Mrs. Nellie Elizabeth Lawton, Harrogate. Mrs. Lawton died on May 21 at the age of 32.

Nellie Elizabeth Lawton (*née* Bowgen) became a member of the Society of Incorporated Accountants in 1933, having served under Articles with Miss Ethel Watts, of London. In 1936 Mrs. Lawton commenced public practice. She was married to Mr. C. L. Lawton, M.Sc., barrister-at-law, in 1935.

Ernest Barnard Turquand

It is with deep regret that the death is announced of Mr. Ernest Barnard Turquand, F.S.A.A., who passed away on May 20 in his 78th year. Mr. Turquand was elected an Associate of the Society in 1894 and was admitted a Fellow in 1918. He was in practice on his own account as Turquand & Son and his business address at 133, Moorgate, E.C.2, remained unchanged during the whole of his professional career, though the building was formerly known as 63, Finsbury Pavement, E.C.2.

In his earlier years he was an enthusiastic chess player, and his prowess at the game was well known in chess-playing circles.

CHANGES

Mr. Henry J. Allen has taken Mr. John Wragg into partnership. They will practise under the style of Allen, Wragg & Co., Incorporated Accountants, at Whiteley's Chambers, 37, Surrey Street, Sheffield.

Messrs. Boaler & Flint, Incorporated Accountants, 5, Regent Street, Park Row, Nottingham, have admitted into partnership Mr. Harold Hurt. The style of the firm will remain unchanged.

Mr. W. B. Rorke, Incorporated Accountant, has commenced public practice at 2, Bank Street, Pretoria.

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